

TRADE AND
BRITISH/ TRADERS IN JAPAN
1859-69

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1962



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ABSTRACT

This thesis describes the first ten years of general foreign trade with Japan. It was one of those formative periods in history which have an importance far exceeding their duration in time. This work forms a contribution to the knowledge of this era in the detailed workings of an Agency House, the import and export of gold and the effect of custom's duty evasion upon the trade statistics. It also provides new material with which to modify much of the existing thought on the commodity price rise, the sale of ships to the Japanese, the trade restriction policy, the necessity for government direction of commerce and the export potential of the Japanese economy. The relations between diplomat and merchant are also explored for the first time by the use of a commercial archive. The Jardine, Matheson archive, the Parkes Papers, the French diplomatic records and Foreign Office Series No. 262 are, the author believes, utilized for the first time for a detailed study of this period. It is hoped in future to document this story more fully from Japanese sources. The author regrets that questions of finance and a university lecturing schedule in America prevented his checking the final draft against the original archive sources but he believes that in spite of errors in days of the month, call or page numbers that the footnote references are detailed enough to take the interested researcher to the source without difficulty.

INTRODUCTION

Japan was the first Asian nation to adopt western technology, and the particular form taken by her industrial revolution has had widespread repercussions in the present century.⁽¹⁾ The general pattern and purposes of both her economic development and of her relations with foreign states, seem to have been decided within the first ten years after her opening to a general western trade in 1859. About this crucial formative period there has been a great deal written. Diplomats, naval officers and many members of that great army of Victorian travellers have all turned their journals into print. The only men who have not been heard from are the merchants.

Although Russia may have nurtured ideas of political expansion in the sparsely populated northern islands, the major interest of western nations in Japan was commercial. The vast majority of the foreign settlers in Japan were merchants and as in China the majority of these were British. These were the men who gave the Japanese their first large scale contact with western ideas. Their success in teaching the Japanese technology as well as

(1) For a general discussion of the reaction between an expanding industrial west and various traditional cultures see W.W. Rostow, "On Growth", The Economist, 15th August, 1959, pp. 409-16.

their failure to implant western political and social ideals are of considerable importance today in a world where the western nations are still exporting technology to under-developed countries.

Now, through the courtesy of Matheson & Company, it is possible for the first time to set the letters and account books of the businessman against the dispatches of the diplomat. This is worth doing for it was the businessman who was the true revolutionary. His trade could shatter ancient societies, and his demand for peaceful commerce almost always resulted in warfare. In Japan, behind the noise and clamour of the assassinations, punitive expeditions and civil war which marked those first ten years lay the quiet cause of it all, the business-
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man. His life seemed prosaic enough, compounded of the letters for the mail steamer, the monthly accounts for the head office in China, the changing prices of tea and cotton, silk and shirtings, the small troubles with thieving coolies, hard-headed sailing ships' captains,

- (1) For descriptions of life on the China Coast see:
Rhodes Murphey, Shanghai, Key to Modern China, Harvard University Press, 1953.
Denny, Mayers and King, Treaty Ports of China and Japan, London, 1867.
Hallett Abend, Treaty Ports, New York, 1944.

and grasping customs officials. Yet this seemingly tranquil world with its evenings at the club, its race track, its four or five hours of office work a day and its host of servants was vital to the history of Japan. For as it was trade which had caused the end of Japanese seclusion, it was trade which decided the policy of the west towards Japan.

Since Britain carried on more than 80% of that trade with Japan this is of necessity the story of British trade and of British foreign policy. The first British ambassador to Japan described these relations as a "duel, à mort" between the free trade of the west and the feudalism of Japan. This, then, is the story of the losers in that battle, the British merchants of Japan. They arrived in Japan as a result of American rather than British initiative. Britain was willing to allow the Americans the initial glory as well as the expense, comfortable in the knowledge that, as the largest trading nation in the East, she would derive the greatest benefit from any new trade. ⁽¹⁾

The United States had certain particular interests in Japan which perhaps explain the sending of Commodore Perry's fleet to force negotiations upon the Japanese.

(1) See W.G. Beasley, Great Britain and the Opening of Japan, London, 1951, pp. 195-204.

Being frequently on the verge of war with Britain during this period, it was desirable to remove American naval stores away from British control at Hong Kong to some neutral base. Japan seemed ideal.⁽¹⁾ It would also be convenient if the American North Pacific whaling fleet of some two hundred sail could winter at the northern Japanese port of Hakodate.

Although the goldrush of 1849 had brought population to the newly conquered state of California, the railroads were not to span the continent until 1869. Californians felt their isolation in the face of British sea power and wished to encourage the stationing of warships and the development of naval shipyards on the Pacific. They also hoped to replace the Mexican silver dollars which then provided the coinage of the China Coast with their own major export of gold, establishing San Francisco as a banking centre in the process.⁽²⁾ There was some pressure from missionary societies and perhaps a desire at Washington to create a diversion from the cankering

(1) T. Harris, The Complete Journal of Townsend Harris, New York, 1930, p. 529.

(2) Jardine, Matheson & Co. Archive (hereafter cited as J.M. & Co.) Box Printed Miscellaneous, San Francisco Chamber of Commerce Petition to the Congress of the United States dated 29th, November, 1861. From the context of this petition these seem to have been long standing issues rather than new ones arising out of the Civil War.

issue of slavery. A Dutch writer considered the much publicised ill-treatment of shipwrecked American whaling men to have been a pretext covering the lust for Japanese coal supplies to fuel a trans-Pacific line of steamships.⁽¹⁾ Whatever combination of these brought the Americans to Japan, when they came it was with a sizable naval squadron prepared to fight since previous initiatives by merchant vessels or small naval expeditions had been met with contempt or cannon fire by the Japanese.⁽²⁾

The resulting treaty was signed in the summer of 1854. Negotiations took place in brightly coloured tents on the shore a few miles from the Shogun's capital of Edo.⁽³⁾ Lining Commodore Perry's path from beach to tent were files of Marines, bayonets shining in the sunlight. Close inshore lay the eight warships of his fleet, their cannon firing occasional salutes to mark the event. But cannon have other uses than saluting and this the Japanese Government knew. It also knew that Perry had come with orders to fight if he did not secure a treaty.

(1) J.C. Pompe van Meerdervoort, Vijf Jaren in Japan, Leiden, 1867, Vol. 2, pp. 4-5.

(2) e.g. Beasley, Great Britain and the Opening of Japan, p. 27.

(3) Modern Tokyo. A variant spelling of the last century is Yedo.

He got the treaty. The Marines filed back into their boats, the roar of saluting cannon faded away, the bright tents were taken down, and the beach once again left to fishing boats. There was little to show that ancient ways had changed.

Prior to Perry's coming the Japanese Government had said that it might conduct its affairs as it chose and its choice had been seclusion. Aside from a minute trade allowed to a few Dutch and Chinese merchants at Nagasaki, no foreigner had been allowed to live in Japan for more than 200 years. This handful of Dutch and Chinese were presumably tolerated because of their value as a source of information about the outside world. This they provided. Japanese officials knew about the conquest of India and the proposed canal at Suez. They also enquired as to whether Britain had lost as many men against Russia in the Crimea as she had against Napoleon.⁽¹⁾ Although no Japanese was allowed to go abroad and neither political nor commercial relations retained with most of the outside world, the Japanese Government was not in ignorance of that world.

(1) Foreign Office, General Correspondence, Japan.
(F.O. 46, hereafter cited as Japan Corres.), Vol. 1
Seymour to Admiralty, Nagasaki, 22nd Sept., 1856.

The Perry Treaty was political and of itself made little impression upon the domestic economy of Japan. It did, however, provide for an American Consul to reside at Shimoda, a remote fishing town about one hundred miles south-west of Edo. The first Consul's name was Townsend Harris and he was to have a profound effect upon the history of Japan. Harris was a successful China Coast merchant who had asked Perry to be taken on the expedition to Japan. Civilians being an abomination to any naval commander, he had been refused but Perry had been impressed and later recommended that he be made the first American Consul. Harris accepted the post and spent considerable of his personal fortune on the purchase of a set of resplendant uniforms in Paris. Having no naval squadron with which to support his diplomacy it was one of the few ways in which he could hope to keep up the impression created by Perry. Harris arrived at Shimoda in 1856 determined to open Japan both to foreign trade and foreign settlement. The Japanese tried to prevent his landing, claiming that a Consul was only to be sent if they requested one. Since the treaty negotiations had been in Dutch, the major European language used by the Japanese, misunderstandings were frequent and they may very well have been right.

Harris was determined and the naval officer who had brought him from Shanghai was probably equally anxious to be rid of his civilian burden. The guns of the warship seem to have prevailed and Harris was installed ashore.⁽¹⁾ Once settled, Harris began his long and lonely fight to obtain a treaty of trade and residence for foreigners in Japan.

In the summer of 1858 he suddenly and unexpectedly succeeded. Although helped by his own patience, diplomatic skill and a generous supply of western liquors to which the Japanese officials proved partial, his actual success was brought about by a British victory against China. Britain's first victory over that country in 1837⁽²⁾ had made a deep impression in Japan. The second victory in 1858 brought British forces far up the coast of China and very close to that of Japan. When Harris notified the Japanese that the powerful and victorious British fleet was about to sail to Japan to extract a commercial treaty the impact was great. Rather than be forced to accept unknown and possibly severe British

- (1) C. Crow, He Opened the Door to Japan, New York, 1939, gives a good short account of Harris at Shimoda as well as an assessment of the man's abilities and shortcomings.
- (2) See R.H. Van Gulick, "Kakkaron, A Japanese Echo of the Opium War", Monumenta Serica, Vol. IV, 1939-40, pp. 478-545.

conditions the Japanese Government quickly accepted Harris' draft treaty, many of whose points they had been discussing with him for the past two years, and prepared to use it as the basis of a treaty with Britain. (1)

Harris had been a merchant, had negotiated a similar treaty with Siam and had lived in Japan for more than two years so that it is reasonable to assume that the treaty he drew up was feasible both in terms of commerce and the particular conditions of Japan. Contemporaries reported Harris as being extremely pro-Japanese so that his treaty was probably as favourable as any the Japanese could have hoped to obtain. It was shortly copied with only minor changes by Britain, France, The Netherlands and Prussia. The Harris Treaty was undoubtedly liberal from a Japanese point of view and a contemporary Hong Kong newspaper thought that its commercial arrangements were equally liberal for the foreigners. (2)

The treaty provided that foreigners were to be allowed to reside and trade at three Japanese ports; Nagasaki, the traditional port for the Dutch and Chinese trade, Hakodate, a poor town on the northern island with

(1) The Harris Treaty is printed in W.G. Beasley, Select Documents on Japanese Foreign Policy 1853-1868, London, 1955. Lord Elgin's British Version is discussed by Beasley in Great Britain and the Opening of Japan.

(2) J.M. & Co., Box Printed Miscellaneous.

a magnificent harbour for the American whaling fleet, and finally Kanagawa, a large town on Edo Bay some twenty miles from the capital.

Niigata, a port on the west coast of the main island, was to be opened in 1860 while the capital city of Edo with almost one million population was to be opened to traders in January, 1861. More important was the city of Osaka, Japan's major commercial centre, which was to be opened in January 1863. Foreigners would thus be established on three of the four main Japanese islands and in residence at the two most important commercial centres of Osaka and Edo. In contrast to the foreigners of the 17th century, who had travelled over most of Japan, the foreigners of the 19th century were confined to a radius of some 25 miles of the ports, being forbidden to trade or to travel in the interior.⁽¹⁾ Extraterritoriality was not then a problem. The Japanese Government was accustomed to leave the punishment of crime up to the 250 or so Daimios or Princes who ruled their semi-independant fiefs and it saw no reason why the foreigners should not do the same with their subjects

(1) The Chinese Government attempted similar measures to restrict the "disturbing" activities of the foreigners. See R. Murphey, Shanghai, Key to Modern China.

(1)
at the treaty ports.

The major difference to the previous Dutch trade at Nagasaki was that the new commerce was to be a free one conducted between foreign and Japanese merchants without the traditional interference of Government officials. The Harris Treaty of 1858 was relatively short and probably purposely indefinite leaving details to be settled by experience. It seemed to provide everything needed for a free trade given only the willingness of the Japanese Government to abide by it. The foreign negotiators went away well pleased with their easy victories, but the Japanese Government⁽²⁾ was determined upon resistance from the very beginning.⁽³⁾ It shortly began a campaign to violate and nullify the trade treaties

- (1) See The Complete Journal of Townsend Harris, for the details of these negotiations.
- (2) Foreigners usually wrote of the "Japanese Government" rather than using the more correct Japanese term of "bakufu." They also referred to its nominal head as the "Tycoon" rather than using the more correct term of "Shogun." Even when seemingly unable to discipline a nominal vassal the bakufu itself insisted upon foreign governments treating it as the sole political power in Japan. A 20th century description of Japanese politics is given by Hugh Borton in Japan's Modern Century, New York, 1955.
- (3) Archives des Affaires Etrangeres, Correspondance Commerciale (hereafter referred to as Archives, Corres. Commerciale), Vol. 1, de Bellecourt to Ministry, No. 5, Yedo, 18 September 1859.

and continued this policy with considerable success until its overthrow by civil war in 1868.

By its indecision in not voluntarily changing its seclusion laws before the advent of the foreigners, the Government had brought about its own public humiliation by a succession of foreign war fleets. For an autocratic government this was a dangerous confession of weakness and the lost prestige must somehow be retrieved. While it acquired a stock of modern weapons towards the day when it could meet foreign displays of force with one of its own, the Government struck back in the only way open to it. In common with many other weak nations of the last century, it retaliated against the expanding industrial powers by hampering, delaying and violating their trade treaties wherever this could be done without actual war. In order to regain the lost prestige the limits of foreign patience must be probed and found, and the foreigners pushed to those limits as publicly as possible. The poverty and commercial depression of pre-treaty Japan was not as dangerous as the influx of foreigners bringing new social ideas and new money into a poor and rigid caste system.⁽¹⁾

See:

- (1) N. Skene-Smith, "Tokugawa Japan", Transactions of the Asiatic Society of Japan, Tokyo, 1937.
H. Borton, Peasant Uprisings in Japan, Leiden, 1937.
E.H. Norman, Feudal Background of Japanese Politics, New York, 1945.

The trouble would begin when the foreigners began to arrive under the new treaties in July 1859. Harris had patriotically chosen July 4th for the opening date but at this point the British negotiator's sense of humour failed him and his treaty moved the date forward to July 1st. The British Government advised its nationals in China to await the official opening date but some of them sensed profits and unofficially opened⁽¹⁾ the Japan trade some months earlier.

(1) See L. Hertslet, A Complete Collection of the Treaties and Conventions between Gt. Britain and Foreign Powers. This order in Council dated Feb. 2, 1859 states that Britons have already sent ships to Japan.

Chapter One

THE OPENING OF THE PORTS

A clipper ship, the "Mirage", had been freighted for Japan at Shanghai in 1858, but fearing confiscation her owners changed their minds. One firm which did risk the loss of ship and cargo was Jardine, Matheson and Company⁽¹⁾ which chartered the schooner "Troas" at Shanghai in January 1859. She was loaded with 200 tons of sugar under the care of William Keswick, one of the firm's most capable young men. She arrived at Nagasaki on February 9th, 1859.

Her captain recalls entering the port under full sail with the ensign at the peak. "On my left there was a strong fort bristling with brass guns glittering in the sun; not a soul was to be seen. I was in some doubt as to whether they might fire upon me, and send the mast over the side; but no, I was allowed to proceed up the harbour unchallenged."⁽²⁾ "Troas" was neither the first nor the last, so that when Rutherford Alcock, the first British Consul-General to Japan, arrived to take up his duties in June 1859, he found fifteen foreign ships in

(1) Hereafter cited as Jardines.

(2) H. Holmes, My Adventures in Japan, London, undated, pp. 10-30.

harbour and more than a dozen of his fellow countrymen already established and trading.

Pioneering in this new Nagasaki market was of little use in judging the future nature of the Japan trade. In common with the old privilege trade of the Dutch and Chinese, all transactions were carried on through a Government trading guild rather than through dealings with private Japanese merchants. These officials sold off imports at auction, which provided only a slight guide as to Japanese tastes. The trade was kept small and mostly consisted of luxury articles such as physics, spices and alleged aphrodisiacs. Some textiles were also imported as well as Dutch silver coins, for the production of Japanese silver mines had been falling for some years.⁽¹⁾

Neither were exports at Nagasaki very indicative of future trade. The major ones had been copper and camphor for the Dutch, and copper, iriko (beche de mer or sea slugs) and awabi (abalone) for the Chinese. These were controlled by Government monopolies and sold at prices which corresponded neither with domestic nor world levels. Copper, for example, was sold to the

(1) Papers of Sir Harry Parkes, University Library, Cambridge (hereafter referred to as "Parkes Papers"), Box 1, Envelope 1. A Mineral Survey of Japan for 1877 showed the nation to be relatively poor in silver.

Dutch at \$18.50 per picul (133.3 lbs.) and re-sold by them at Batavia for \$50 per picul.⁽¹⁾ Townsend Harris was mystified by the list of actual Japanese domestic prices for goods and the Nagasaki "book" prices for trade which a Japanese official showed him in 1859.⁽²⁾

These first trial months at Nagasaki were of little help in estimating the future trade of the country, but the first comers did reap some sizable benefits. They rented the best waterfront lots both for trade and speculation, began to ship the silk, tea and coal, which were to become three of the major exports until the turn of the century, and did a highly profitable, if temporary, trade in "chow-chow" cargoes of edibles. These did very well at Shanghai where the Taiping Rebellion had driven thousands of refugees before it to shelter under the foreign guns.

Although the greatest population influx into Shanghai came between 1860 and 1864,⁽³⁾ there was already enough trouble in the interior in 1858 and 1859 to interfere with the transport of native food supplies

(1) M. Paske-Smith, Western Barbarians in Japan and Formosa in Tokugawa Days, 1603-1868, Kobe, 1930, p. 197.

(2) Harris, Complete Journal, p. 408.

(3) Denny, Mayers and King, Treaty Ports, p. 365.

and to ruin the businesses of foreign traders in the
(1)
interior.

One of these was Kenneth Mackenzie whose tea trade was at Hankow, almost 600 miles upriver from Shanghai. Mackenzie could not very well complain to British officials for Britons were not legally supposed to trade at Hankow before 1861.⁽²⁾ Mackenzie was not exactly a novice, therefore, when Jardines sent him to pioneer the equally extralegal Japan trade in the Autumn of 1858. Having no legal standing under treaty, men like Mackenzie had to rely upon their own powers of persuasion. These must have been considerable for he had leased houses and godowns (warehouses) and written to Jardines for cargo by December of that year.

When "Troas" brought Keswick to join Mackenzie in February of 1859 the newcomer was able to buy first quality Japan silk at \$240 per picul. This was a good start as third grades of Chinese silk were then selling for as much as \$370 per picul.

These purchases were made through the agency of the Treasury Guild which acted as middleman in all trading transactions, charging duties, auction fees and "grati-

(1) J.M. & Co., Box Nagasaki 1859, K. Mackenzie to J.M. & Co., 4th April 1859.

(2) Denny, Mayers and King, Treaty Ports, p. 440.

fication". What little currency was needed was supplied by notes made of bamboo slabs with a Japanese valuation painted on one side and a value in Dutch florins on the other. This money circulated only in Nagasaki and was only for use in foreign trade. It was recalled and replaced each year. Actual Japanese or foreign coins were hardly ever seen at Nagasaki. The problem for the foreign merchant was to obtain the bamboo trade money since the Japanese were prohibited from accepting the Mexican silver dollars used generally along the China Coast, "as I was several times made to understand", remembers one English traveller, "by pantomimic signs of losing their heads or being well-bamboosed."⁽¹⁾

The first British merchants soon put themselves on good terms with the Japanese Governor receiving the necessary bamboo trade money and permission to trade through the Treasury Guild. The Japanese officials were probably glad to find a fresh source of income, for the combined trade of the Dutch and Chinese amounted to only \$14,400 in 1856.⁽²⁾ Indeed, there was by 1858 only one Dutch merchant left at Nagasaki, doing a lonely trade on

(1) H.S. Tilley, Japan, the Amoor, and the Pacific, London, 1861, p. 65. Beatings with a split bamboo were a standard legal punishment in both China and Japan at this time.

(2) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, pp.11.

Deshima, the old prison-island of the Dutch East India Company. He is reported to have gone bankrupt in that year.⁽¹⁾

The end of the East India Company trade had been little loss, as the corruption of both the Dutch officials and their Japanese counterparts at the Treasury Guild had long since siphoned off any profits accruing to their respective employers.⁽²⁾ This traditional venality was now put to work in favour of the new foreign merchants who, by greasing the necessary wheels of commerce, were often able to make profits of more than four hundred per cent on their exports.

The most profitable commodity seems to have been seaweed. It was a favourite edible on the China Coast and in great demand at that time. Mackenzie theorized that the demand arose because the Taiping armies had closed off the supply of salt which came from the inland districts and for which the seaweed might serve as a substitute. Whatever the reason, the weed yielded heavy

(1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p.151.

(2) C.R. Boxer, "Sakoku or the Closed Country", History Today, Vol. VII, No. 2, February 1957, p. 81. Geshiedenis Nederlandsche Handel Maatschappij, Haarlem, 1924, Vol. 2, p. 402 records business becoming less and less profitable after 1840.

returns. A shipment by Mackenzie to Jardines in Hong Kong in March 1859, cost \$275 and sold for \$1,375. The next shipment in April consisted of 7,155 bales, of which 5,007 sold immediately for \$14,270. The entire shipment had cost \$5,612. In addition to such shipments to Jardines at Hong Kong or Shanghai, from which Mackenzie only retained his five per cent buyer's commission, he shipped goods on his own account, or on behalf of Chinese traders for sale by Jardines. One such shipment for a Chinese friend cost \$576 and returned \$1,393. On April 4th there had been thirteen hundred tons of seaweed offering on the Nagasaki market. By April 19th this had all been exported. Most of it went to Shanghai where it swamped the market and prices fell sharply. Mackenzie had foreseen this and on April 12th chartered the American sailing ship "Aramingo" for Hong Kong. The market there was still high, and her cargo of seaweed, costing \$4,740, sold for some \$16,519, or rather more than 200% profit.⁽¹⁾

One of the hazards of the pre-telegraph merchant was that he had to make his decisions without knowing conditions in other markets. This led to large gains as well as to losses. Mackenzie's success in chartering

(1) J.M. & Co., Account Book, "Shipments to and from Japan 1858-60".

the "Aramingo" for \$2,250 was partially offset by the appearance a week later of Jardines' steamer, "Hellespont," empty, bound for Hong Kong and seeking cargo. She had to be sent away again losing money on her empty holds, but she had at least paid for her coals by towing a Chinese junk across from Shanghai for a fee of \$3,000.

The seaweed trade was ideal for new traders hoping to set up on their own. Investments were small, profits large and turnover rapid. From a Japanese point of view it was equally welcome, since the seaweed crop had never been fully harvested, and in return for this natural surplus they now gathered in the valuable silver of the foreigners. One hundred years earlier the Tanuma administration had fostered a similar trade in sea produce to garner the scarce silver, even promoting educational campaigns to induce villagers to gather and pack the goods.⁽¹⁾ Tanuma's subsequent fall from power had carried his export program down with him, but it had now been reintroduced by the foreigners.

A more important export was silk. With Mackenzie's early shipments of seaweed went bales of silk and flax.

(1) J.W. Hall, Tanuma Okitsugu, Cambridge, Mass., 1955, p. 85

Both were exploratory, the flax going to London where it did not pay, the silk going to Lyons where it did. France had been self-sufficient in silk production since the 17th century, but was now suffering from the fifth year of the silkworm disease. Cocoon production fell from 57,000,000 pounds in 1853 to 9,000,000 pounds in 1865.⁽¹⁾ These losses were made up by shipments from China and Japan, made easier by the newly completed desert railway at Suez. By 1870, when Pasteur discovered the cure for the disease, the intrinsic superiority of Japanese silk⁽²⁾ had firmly established it on the world market and many French farmers, having burnt their mulberry trees for firewood, had little heart to begin again.

Silk was the most valuable Japanese export for the rest of the century and the trade developed rapidly. Mackenzie shipped a total of 300 bales of Japan silk in March, April and June, 1859. He took a third interest in these shipments, investing \$26,632, which returned him a profit of \$9,536, or more than \$3,000 a month

(1) F.O. Howitt, "Silk - An Historical Survey", Journal of the Textile Institute, Vol. XLII, No. 8, August 1951, p. 339.

(2) Japan cocoons had a finer thread with less gum than the European or most of the Chinese varieties.

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from this aspect of his business.

Trade was not easy at Nagasaki and Mackenzie worked hard. The tides allowed only three hours a day for loading and unloading cargo. This was done by open Japanese boats and, rainy days being frequent, an early request to China was for tarpaulins. Boats overturned dumping silks and textiles into the harbour, coolies stole, and bales of goods stood exposed to the weather on open docks. Even if safely landed and stored, British cottons and woollens deteriorated rapidly enough in the humid summers.

Human failings added to the natural complications of the port. On one occasion Mackenzie had to claim for 500 bales of seaweed being short weight. With only three hours a day to load, work was always hurried and only sample bales from each boat-load had been weighed. The ancient wisdom of trade saw to it that only selected heavy bales reached the scales for, although the Japanese were new to the ways of western diplomacy, they had been trading at Nagasaki for a very long time. Mackenzie recouped his losses in kind by claiming against the Treasury Guild and weighing several hundred bales still in his godown before their officers. Fortunately, he

(1) J.M. & Co., Account Book, "Shipments to and from Japan, 1859-60".

owed them money and was therefore to be humoured.

Thieving coolies and the vagaries of nature were not the only problems at Nagasaki. It was difficult to find suitable imports for the new market and firms which ran their own fleets, such as Jardines, felt strongly that those ships should carry a paying load both ways. One unsuccessful experiment had been to import 50,000 pieces of crepe, destined to rot quietly through the long hot summer. Another early Jardines shipment to Nagasaki fared little better. It consisted of cotton piece goods, sugar, and Chinese medicines. The firm broke even on the cottons and lost heavily on the sugar. Of the 3,000 bags which had been shipped, 2,000 sold at a 50% loss and the remaining 1,000, after mouldering for a year in the godown, had to be returned to China in miserable condition, having been subject to both import and export duties in Japan. Over 70% of this first shipment was disposed of in Japan but it returned less than 40% of its cost.

Despite difficulties of tides, theft, thunderstorm and a lack of consumer demand among the Japanese, the initiative of these first adventurers onto the Japanese market reaped handsome rewards. Profits of from 100% to 400% had been common during the spring of 1859.

They arose not so much from low prices in Japan as from the merchant's ability to arrange low prices with the Treasury Guild officials in return for suitable personal presents.

The lucky band of foreigners who were reaping this harvest did their best to keep it a secret. They had their mail from Europe forwarded by friends in China; ships bound for Japan were supplied with papers announcing fictitious destinations, and an officer of the Dutch naval contingent at Nagasaki remembers the reluctance of these merchants to carry his letters describing the town on their ships.⁽¹⁾ Eventually, the secret was spread along the coast by merchant seamen, and many China Coast traders were encouraged by the lush profits at Nagasaki to sell up, and move on to Japan when official trade opened in July 1859. They were to be disappointed.

In the six months following the opening of official British trade on July 1st, Mackenzie was able to invest only one third as much money as he had during the previous four months. From March to the end of June, he profitably invested \$81,676 of Jardines' funds, but was only able to invest \$51,617 in produce, from July until the

(1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 151.

following March. July brought more foreigners to Nagasaki, increasing the competition, while the implementation of the treaty brought to an end the profitable barter-trade through the Guild. New officials came down from the capital at Edo, and trade at Nagasaki was much diminished in terms of both quantity and profits.

The official treaty trade after July 1st did have one advantage for foreigners. While it closed the port of Shimoda, which Harris had found to be useless for any large trade, it opened up two additional ports and, as profits at Nagasaki dwindled in July, men began to think of moving on.

One possibility was Hakodate, a poor place on the northernmost island of Hokkaido. Exports were seaweed, dried fish and ground deers horns, the latter being highly prized among the Chinese for its magical and supposedly aphrodisiacal properties. Even these goods were in such limited supply that only three foreigners, two Britons and an American, settled there, the American subsequently putting his business up for sale in 1863. The port was near to the silk districts of north-eastern Honshu, but Japanese silk merchants were discouraged by the local officials from dealing there.

Hokkaido was also the site of silver, coal and lead mines but, true to the Japanese economic theory that minerals were the bones of the country which, once exported could never be replaced, the Government refused to allow their sale. In regard to the lead mines, the Governor of Hakodate informed Consul General Alcock that their production was completely absorbed by his troops for musket practice. Judging by the frequency of this practice, this was quite possibly true.⁽¹⁾ Target practice was also incessant at the capital of Edo, and shore batteries were being erected along the long and narrow entrance to Nagasaki harbour. Foreigners might wonder just how long the Government intended to allow their residence in Japan.

The other new port to be opened in 1859 was Kanagawa. It lay some twenty miles from the capital of Edo, whose population of almost a million were hopefully considered as future consumers of western textiles. Kanagawa was also situated upon the Tokaido, the main highway of the Japanese Empire, so that western goods purchased there would quickly become known throughout the country. A town of thirty thousand, it stretched its shops along some two miles of the

(1) Japan Corres. F.O.46, Vol. 3, Alcock to Russell, Yedo, 20 October 1859 .

high road.

In 1859, Kanagawa offered the best commercial prospects of the ports then open, being closer to the silk districts than Nagasaki and on the coastal shipping routes from North and South. It had been selected by Harris after two humiliating and frustrating years at Shimoda, where he had observed at first hand just how much the free trade ideals of the west were at variance with the monopolistic system under which the Japanese Government wished to continue its trade relations with the foreigners.

Harris had learned a great deal at Shimoda and much of this experience found a place in his 1858 treaty. Although an American family was refused the right to reside ashore at Shimoda in 1855, foreign ships had been allowed to provision there and their crews to buy souvenirs under the Perry treaty, while the super-cargo of an occasional sailing vessel had been able to arrange a little trade.

Sharing in the belief that the prices which could be arranged through Government officials at Shimoda, like those given by the Treasury Guild at Nagasaki, represented the prevailing domestic prices in Japan, one English writer records a merchant sending a ship

from Shanghai to Shimoda with a cargo of Philippine sapan wood. The wood, which had been unsaleable at Shanghai for \$1.25 per picul, was bartered at Shimoda to the Government officials for \$35 per picul. In exchange they received vegetable wax costing \$6.50 per picul and saleable at Shanghai for \$17 per picul.⁽¹⁾ A shipment of ten thousand muskets was also reported as being purchased by the Government officers at Shimoda in 1855.⁽²⁾

Apart from sporadic deals such as these, the port of Shimoda offered an interesting insight into the ideas of the Japanese Government as to how foreign trade should be conducted.

Shimoda was situated at the end of a peninsula, cut off from the interior by a range of mountains through which there was no good access road. Isolated from the main lines of Japanese internal traffic, and hidden from the public view, it had only the coastal shipping to bring it trade goods and control of this required only a minimum of police. This trade was conducted within a palisaded bazaar where nothing such

(1) A. Michie, The Englishman in China, London, 1900, Vol. 2, p. 20.

(2) H.S. Tilley, Japan, the Amoor and the Pacific, p. 148.

as copper or silk, which might develop into a large trade, was offered, but only small amounts of soy,⁽¹⁾ seaweed and lacquer souvenirs. Most imports were refused by the officials as being unnecessary.

Nothing could be bought except from such Japanese merchants as were allowed by the officials to trade within the stockade. Even then no purchase could be made directly. When a foreigner wished to buy something, he made his wishes known to a Government official who then set a price upon the goods, collected the money⁽²⁾ and had them delivered to the foreigner's ship. Any Japanese who might have been tempted to engage in smuggling, or to avoid these regulations, was deterred by the spectacle of a strong new jail built next to the bazaar.

An American merchant who attempted to trade at Shimoda, wrote disgustedly that "the result at which the American nation arrives in return for the million of dollars it spent, and the employment of a third of

- (1) This same arrangement of a palisade to prevent any foreign contact with the local population, and a corps of Government officials to conduct all transactions, had been enforced against Admiral Seymour at Nagasaki: see Japan Corres. F.O.46, Vol. 1, Seymour to Admiralty, 22 September, 1856 .
- (2) R. Fortune, Yedo and Peking, London, 1863, p.107, describes much the same arrangement at Edo.

its navy for more than three years, is simply the right to buy some lacquered boxes"⁽¹⁾.

Harris was equally discouraged by the prospects at Shimoda, and the major advance of his treaty over the Dutch convention of 1857, under which all foreigners had been allowed to trade with the Treasury Guild at Nagasaki, was to get a free trade authorized at Kanagawa, where the restrictions of Nagasaki and Shimoda would have been difficult for the Government to re-create.

The man who had to put these paper provisions into working reality was the British Consul-General, Rutherford Alcock. This burden fell upon Alcock for many reasons. The United States was moving into civil war and keeping its small navy at home; the Netherlands, with a small commercial interest in Japan, was concentrating its efforts upon Java and Sumatra; France had the armed forces but only one trader and two or three storekeepers at Yokohama in 1860; and Russia, the only other nation with a powerful fleet in the Pacific, did not seek to carry on commercial relations with Japan beyond victualling her fleet, her Siberian settlements and her fur company in North America.⁽²⁾ It was only

(1) Japan Corres., F.O.46, Vol. 1, Enclosure in J.J. Parkes to W. Hammond, Shanghai, 8 August, 1856.

(2) G.A. Lensen, The Russian Push Towards Japan, Princeton, 1959, pp. 359-367.

Britain who had both the fleet and the commercial interests and, as the greatest potential benefactor, it fell upon the British to enforce the commercial treaties of 1858.

Alcock knew of his appointment to Japan in February, 1859. It did not please him. After many years in China, he had hoped to secure a post nearer home. His appointment named him as Consul-General and did not give him the higher title of Diplomatic Agent, which was borne by both the Dutch and Russian agents in Japan. Alcock chose to see this as a deliberate slight, indicating that his hopes for advancement in the diplomatic service were at an end. "I am now transferred, on my present salary, to the most outlying region in the world" he wrote, "to die in these regions where so many have gone before me, with two or three years' more service or to be expended, as naval stores are expended, so long as wear and tear will let them hold together, with no unnecessary regard to what is to become of them afterwards."⁽¹⁾

Allowing for a certain overemphasis in the interests of pay and promotion, it was not a particularly happy man who sailed for Japan early in June, 1859. It is not

(1) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Canton, 22 February 1859.

clear whether official duties kept Alcock at his Consular post in China, or whether there was no naval vessel to transport him, but he left himself with very little time to arrange for the trade that was to begin July 1st. Arriving at Nagasaki on June 6th, Alcock had only three weeks in hand to arrange trade both at Nagasaki and Kanagawa, in addition to establishing his own residence and ratifying Lord Elgin's treaty at Edo. He spent three weeks at Nagasaki negotiating the details of trade with the very agreeable Governor.⁽¹⁾ Probably he wished to arrange things first at Nagasaki because a sizable British trade already existed at the port, or perhaps it was merely that Nagasaki lay on the route to Kanagawa and it might not be easy to procure a warship, always an asset in negotiations, for a return trip at a later date. Whatever the reasons, his three weeks at the port yielded only one concrete result. He successfully rented a house for the British Consulate. The detailed trade convention he drew up with the Governor was never accepted by the latter's superiors at Edo, and some of the provisions which Alcock assumed he had settled in June 1859, were still being discussed seven years later. Neither did he arrange for a foreign quarter.

(1) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Nagasaki, 16 June 1859.

This primary need at any treaty port was left for Consul George Morrison, a man less easily put off by official
(1)
suavity than Alcock.

Having passed three weeks at Nagasaki, Alcock moved on to the new port at Kanagawa. While he had little to show for his time at Nagasaki, the Japanese Government had put the month of June to good use at Kanagawa. The men who had signed the commercial treaties had all, down to the most subordinate clerks, been disgraced
(2)
and driven from office, while the new men set themselves the task of nullifying the treaties granted by their predecessors.

As their first move they re-created the trade situation at Shimoda, at one stroke depriving the foreigners of the major advance gained by Harris a year before. The method was simple. While Alcock was negotiating with an underling at Nagasaki, the Government was very busy near Kanagawa. Putting large gangs of labourers to work, they converted a small fishing village into a sizable town of jerry-built houses, warehouses, piers, customs offices and roads. As if by magic, a small fishing village was replaced by

(1) M. Paske-Smith, Western Barbarians in Tokugawa Japan, p. 230.

(2) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Yedo, 28 July 1859.

an entire town. A population was also created by offering low taxes to those Japanese merchants who would open business at the new port. These were still moving in and unpacking when Alcock arrived on June 30th, one day before trade was to begin. The Japanese Government had decided that the foreigners were not to trade at Kanagawa as specified by the Treaty, and had re-created the Shimoda situation from which Harris had been at such pains to escape.⁽¹⁾

The new settlement was built upon a harbour mud flat, a mile long and a quarter of a mile deep. Behind it was a swamp, on each side were rivers, while behind both rivers and swamp lay an encircling range of hills. The escarpments of these were naturally so steep that a British Army Officer thought that they might be unassailable, while a British Admiral considered that if one or two modern field pieces were emplaced upon the heights, the settlement would be indefensible.⁽²⁾ The Japanese Government improved upon the natural situation by digging a canal through the swamp to link the two

- (1) J. Heco, Narrative of a Japanese, 2 Vols., Yokohama, 1899, Vol. 1, p. 201.
- (2) Japan Corres., F.O.46, Vol. 49, Capt. Roberts to War Office, Yokohama, 15 February 1864, and F.O.46, Vol. 49, Admiral Kuper to Admiralty, Yokohama, 12 February 1864.

rivers, thus making the settlement an artificial island. Garrisons of Japanese troops were moved into barracks on the commanding heights, lending force to the fears of the foreigners. If personal security looked doubtful, prospects for trade looked even worse at the village the Japanese called Yokohama.⁽¹⁾

Instead of being in the midst of a populous town, the foreigners now found themselves set apart on a gated, guarded island where they were allowed to deal only with a handful of Japanese merchants. Far from being situated on the main highroad of the Empire, the foreigners now found themselves at the end of a single two-mile causeway, built along the shore connecting Kanagawa to Yokohama. At each end were gates guarded by Japanese troops, where Japanese merchants wishing to bring goods could be stopped, searched and charged whatever fees the Government or the guards thought suitable. Watch houses were studded along the sea front so that there was little possibility of Japanese boats bringing goods across the bay from Kanagawa without undergoing the same surveillance. Not only was Yokohama

(1) This translates roughly as "side beach" or "cross the way beach", which argument was used by the Japanese to show that it was not a separate place but really a part of Kanazawa and therefore not a violation of treaty.

isolated from the surrounding country, but the little settlement itself was carefully divided by a drainage canal along which was a line of watch houses separating the foreign from the Japanese merchant communities.

This was not so much to keep apart the foreign and the Japanese settlements since some foreign diplomats and medical missionaries lived outside their bounds; rather the purpose seems to have been to note down every transaction between the merchants as to price, quantity and profit, whether this was between a foreigner buying Japanese silk or a Japanese buying
(1)
British cottons.

The function and importance of the watch houses was accidentally disclosed when a tub of oil was stolen from a British merchant in 1860. The thieves carried it past the watch house, and when the merchant indignantly demanded of the watchmen why they had not stopped the thieves, they replied that they were not policemen but spies. At this the merchant lost his temper, turned them out of their watch house, seized a log book which they kept, and handed it over to the British Consul. The Japanese were right; they were spies, for the book recorded in detail every action of the foreigners,

(1) J. Black, Young Japan, 2 Vols., London, 1880, Vol. 1, p. 341.

commercial or private. Some idea of the importance the Japanese Government placed upon this surveillance may be gained from the fact that they sent three Customs officials and an interpreter to the Consulate the following day to demand the return of the book.⁽¹⁾

In addition to the general treaty duty of 5%, which was charged upon all the major goods of import and export before they left the customs pier, either for the ships in harbour or the foreigner's godowns, there were thus several additional opportunities at gates and guardhouses for further duties to be laid upon the Japanese merchant. These impositions were of necessity included in the price paid by the foreigner for Japanese goods, so that when the Yokohama prices of goods are quoted by Japanese economists as reflecting general prices in Japan,⁽²⁾ they are not a reliable standard.

The Government also took a more direct toll of foreign merchants by retaining a monopoly of all coolies and cargo boats. These could only be had to load or unload goods by dealing with a Government Coolie Master

(1) M. Paske-Smith, Western Barbarians, p. 386.
Also Harris, Complete Journal, p. 299.

(2) e.g. Yamaguchi, Kazuo, Bakumatsu Boekishi, Tokyo, 1947, p. 230.

who set the price, and supplied or withheld boats and coolies at his convenience. The settlement thus combined most of the Government's restrictive ideas with regard to foreigners which had been in use earlier at Nagasaki and Shimoda. As if to ensure the obedience of its own subjects in this system, every Japanese bringing goods to trade with the foreigners had to pass a newly built jail before entering Yokohama.

On the credit side, Yokohama had the great advantage of a deep-water anchorage close in shore, in contrast to the shallow mud flats at Kanagawa. This was not only a help in loading and unloading cargo, but a haven of safety, for the China trader was accustomed to rushing his cash box and account books out to the nearest ship whenever a local war or anti-foreign rising broke out. Apart from these essentials of anchorage, godowns and piers, the settlement had little to offer. The streets were unpaved so that hip boots were a necessity in wet weather, and Yokohama gained the reputation of being, after Alexandria, the muddiest port in the world. The muddy streets, the miasmatic swamp and the fetid drainage canals which never seemed to drain so that "it was often as much as could be endured to pass

(1)
them" were joined in the memories of foreigners with the brothel, whose fluttering banners announced that it was for their pleasure, and with whose ancient madam a visiting Colonial Bishop innocently left his calling card.

The construction of Yokohama to replace Kanagawa was apparently an attempt to violate the treaty by preventing a free and unhindered trade between foreign and Japanese merchants. It was this challenge which met Alcock when he arrived on June 29th to arrange the trade which was to begin officially on the following day.

Going ashore at Yokohama, Alcock judged that the arrangements made by the Japanese Government would probably be fatal to any freedom of commerce. He advised British merchants not to accept the houses and godowns offered them by the Government. He then devoted the following two weeks to what he described as the "two most important steps which I had to take on my arrival", (2) the securing of a residence, and the ratification of the treaty. These took time so that it was not until July 22nd that British Consul Vyse raised his

(1) J. Black, Young Japan, Vol. 2, p. 114.

(2) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Yedo, 14 July 1859.

flag at Kanagawa, and three weeks after the appointed date was ready to try to arrange for the new trade.

Alcock's instructions had been that Britain had no desire to wield political influence in Japan, and that his main reason for being there would be to see to it that trade was carried on under the terms of the commercial treaty.⁽¹⁾ He visited Yokohama on July 1st, and again on the 21st, but apparently spent the rest of the time unpacking his belongings, buying a horse and staging a parade of sailors through Edo to ratify the treaty and impress the Japanese with Britain's armed might. As the men were clad in heavy woollens, and the day was hot, those who did not faint could hardly have looked very impressive. They might better have been used at Yokohama where the British merchants were forced to try to arrange matters by themselves, as they had done the previous winter at Nagasaki.

First arrivals at Yokohama included several Dutch retail traders, Jose Loureiro, a Macaoese agent for Jardines' greatest rival, Dent & Co., and William Keswick of Jardines on board the chartered schooner "Nora." At Nagasaki, Mackenzie had loaded her with a cargo of Chinese medicines, cotton and woollen goods,

(1) Japan Corres., F.O.46, Vol. 2, Malmesbury to Alcock, London, 1 March 1859.

sugar candy, elastic bands as well as 40,000 Mexican dollars, "sample packages of everything I thought it would be useful to send to Kanagawa...I sincerely trust Keswick may be enabled to make a favourable investment of the specie."⁽¹⁾ This last proved decisive for while Alcock asked the merchants to wait until he had received permission for them to move into Kanagawa, their cargoes went unloaded and their dollars uninvested. The ships lay idle at anchor, each passing day adding to their charter money while the equally idle dollars lost interest. Keswick's \$40,000 could have been earning the standard 10% to 15% per annum interest then paid in China⁽²⁾ and a contemporary Dutch writer remembers that the English phrase, "Time is money," was the deciding argument that made Yokohama into a seaport.⁽³⁾

Several Dutch merchants moved promptly into the settlement. An American, Dr. Hall, of Walsh, Hall & Co., flouted the advice of his Consul and followed suit. Rather than be completely shut out of the choice waterfront lots, Keswick bought a lot for Jardines, while

(1) J.M. & Co., Box Nagasaki 1859, K. Mackenzie to J.M. & Co., 28 June 1859.

(2) Heco, Narrative, Vol. 2, p. 197.

(3) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 56.

Loureiro purchased two lots for Dent & Co. In the interim, Alcock had been unable to obtain Japanese permission for foreign merchants to reside at Kanagawa.

Although refusing to refrain from trade for as many months as it might take Alcock to win back the original trading rights at Kanagawa, Jardines was willing to compromise, even at some expense, and instructed Keswick to apply for lots at both Kanagawa and Yokohama, and to pay rent at both while the question remained in abeyance.⁽¹⁾ Still smarting at the flouting of his advice, Alcock wrote to the Foreign Office regretting his lack of legal power to penalize Keswick for moving into Yokohama.⁽²⁾ The Foreign Office accepted the matter more philosophically, counselling that Jardines had achieved such a reputation in the East that wherever they settled, trade would probably settle as well.⁽³⁾

Through his delay at Nagasaki, and his failure to take strong steps at Yokohama during the first two weeks in July, Alcock had allowed himself to be signally

- (1) J.M. & Co., Box Shanghai, 1859, J.M. & Co., to W. Keswick, 20 October 1859.
- (2) Japan Corres., F.O. 46, Vol. 3, Alcock to Malmesbury, Yedo, 14 July 1859.
- (3) Japan Corres., F.O. 46, Vol. 3, Foreign Office to Alcock, London, 7 October 1859.

defeated by the Japanese at the very outset of treaty relations, and to be placed in a position from which it would be difficult to ensure the trade which he had been sent to promote. To blame the British merchants as he did, was unfair. They were entitled by treaty to begin trading on July 1st. To expect them to remain idle with ships, cargoes and funds all losing money, while their foreign competitors moved into the best trading locations at Yokohama, was unreasonable. Yet Alcock seems to have retained a grudge against the British merchants as a result of this incident.⁽¹⁾ He and Harris did not give up arguing in favour of the Kanagawa location until the following spring.⁽²⁾

The Yokohama location was undeniably better for the foreign traders, due to its deep-water anchorage, the completed piers and warehouse facilities and the waterfront lots, which would have been difficult to rent in built up Kanagawa. The difference between the two places was that the natural location of Yokohama would make it much more difficult for the foreign diplomats to enforce the free trade which the treaties specified. At Kanagawa

- (1) A. Michie, Englishman in China, Vol. 2, p. 123, also Fortune, Yedo and Peking, p. 31.
- (2) Archives, Corres., Commerciale, Vol. 3, Duchesne de Bellecourt to Ministry, No. 64, Yedo, 18 May 1860.

the chances of setting up a trade free of official restriction were better, but several contemporary writers thought that the Japanese Government would have been able to restrict trade at either location.⁽¹⁾

The clear victor in the engagement seems to have been the Japanese Government. At one blow, it had regained the major concession of the Harris Treaty. Not only had it been able to confine the foreign trade to an artificial island under the direct control of its police, but as an unlooked-for dividend, the British diplomats and the British merchants had been set to quarrelling with each other. What was even more ominous for the future was the effect this first easy victory might have on subsequent Japanese policy towards foreigners. A Dutch naval physician, who was instructing Japanese students at this time, writes that the Japanese Government swelled with conceit at its triumph, while its officials, having almost absolute power over their own merchants, lost respect for the foreign diplomats who were unable to exercise the same control.⁽²⁾

Given the opportunities for restriction which the

- (1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 57, R. Fortune, Yedo and Peking, p. 31.
- (2) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 57.

Yokohama location offered, this conceit boded little good for the small band of merchants struggling to establish the new trade.



Chapter Two

CONDITIONS OF TRADE AT YOKOHAMA IN 1859

Having successfully confined the foreigners to the artificial island of Yokohama, it only remained to be seen to what use the Government would put its advantage. Some trade had to be allowed, as a flat refusal to honour the trade treaties might well have brought the war and colonization the Japanese feared. The mere presence of the foreigners, only twenty miles from the capital city, was undesirable, whether they did any trade or not. The fact that they had been able to enforce that residence with the aid of warships, was a standing evidence of the weakness of the Government.

(1)

The Japanese princes, in periodic residence at Edo, could not help but know of the foreigners' presence and some of them were encouraged by this sign of Government weakness to continue their own efforts to gain more power. The Government dared not immediately demand the withdrawal of the foreigners to the more isolated ports of Nagasaki and Hakodate, but it could encourage the foreign merchants to leave voluntarily by limiting the trade as much as possible. In the interim it could

(1) The term "prince" is often used rather than the Japanese term of "daimyo" as it appears so universally in the commercial archives of the period.

derive the maximum profit from this unwanted trade in order to pay for the expenses of building Yokohama and of erecting new coastal batteries on Edo Bay.

In view of the hostility of some of the princes, it was also desirable for the Government to increase its supply of modern weapons. Much of this hostility itself sprang from the fear that the Government's new trade revenue would enable it to extend its powers over the semi-autonomous fiefs.⁽¹⁾ The Government had been in financial difficulties before the added expense imposed by the arrival of the foreigners had increased its defence burdens, and was hence in a poor position to find the funds to purchase warships, rifles and artillery. The treaty tariff of 5% on the most important goods of import and export could yield a sizable return, but only if a large volume of trade were carried on and this the Government was determined not to allow.

The Japanese rulers had rightly judged that if foreign commerce were not rebuffed from the onset, it would bring in not only cottons and woollens, but such dangerous doctrines as freedom and equality which must inevitably threaten the ancient privileges

(1) M. Paske-Smith, Western Barbarians, p. 144.

(1)
of the ruling Samurai class. Western arguments about
free trade bringing prosperity to the common people
meant little to these men compared with maintaining
(2)
their own ancient privileges.

The French Consul-General thought the Japanese
people deserving of a better Government than they had,
but doubted that they would ever get better conditions
(3)
until a true middle class arose to demand them. A
Treasury official in London felt that the influx of
foreign silver would create a class of merchants
connected with foreign trade who might work to under-
mine the exclusive privileges of the dominant warrior
(4)
caste. Such a middle class could not arise, however,
unless a large and relatively free trade was allowed.
Under a restricted trade, production for export could
be kept small, while the greater part of the new trade

- (1) R. Alcock, Capital of the Tycoon, London, 1863,
Vol. 2, p. 362.
Denny, Mayers and King, Treaty Ports, p. 551.
The Chinese Government had reacted in much the
same manner, see R. Murphey, Shanghai, Key to
Modern China, pp. 57-58.
- (2) E. H. Norman, Feudal Background, p. 13.
- (3) Archives, Corres. Commerciale, Vol. 1, de Bellecourt
to Ministry, No. 5, Yedo, 18 September 1859.
- (4) Japan Corres., F.O. 46, Vol. 39, W. Arbuthnot to
Foreign Office, London, 28 May 1863.

profits could be safely retained within the ruling samurai class and used to make that rule even more secure.

There was dissension within the ruling class as to how this new income was to be divided, but both Shogunate and Princes were united in the wish to maintain their privileged position. Although fief officials pretended contempt for trade and traders, they quickly sent their business agents to Nagasaki to sell goods on fief account to the foreigners.⁽¹⁾ The Shogunal family of the Tokugawas, in addition to being the single largest landlords in the empire with produce to sell in their own right, had the customs duties, navigation and license fees, land rents, the monopoly of coolies and cargo boats, and an almost unlimited power to levy "squeezes" upon the Japanese merchants who traded at Yokohama. All of these returned profits but the major instrument of Government policy, which combined both restriction and profit, was its control of the currency exchange. It was a natural choice for a Government with a history of deriving revenue from coinage debasement and depreciation.⁽²⁾

(1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p.11.

(2) J. Hall, Tanuma Okitsugu, p. 73.
E. Honjo, Social and Economic History of Japan, Kyoto, 1935, pp. 271-283.

The author of a contemporary commercial handbook was probably correct in writing that the Japanese Government intended its main profit from the trade to come from depreciating the foreigners' dollars.⁽¹⁾ The method selected was that of instituting a special currency for foreign trade only. It probably stemmed from experience at Nagasaki where the special bamboo trade notes had been in long use, but since the treaties specified that foreign silver must exchange for an equal weight of Japanese silver, bamboo would no longer do and a new silver coinage had to be struck. As Mexican silver dollars were the standard trading currency of the China Coast, this meant that in practice the silver dollars would be exchanged for equal weights of the standard Japanese silver coin, the ichibu.

The method adopted for complying with and violating the treaty at the same time was simple, but ingenious, and well in keeping with the Government's long history of coinage and manipulation. Alcock described it as "a stroke of financial genius."⁽²⁾ He also thought

- (1) S. Wells Williams, Chinese Commercial Guide, 5th Edition, Hong Kong, 1863, p. 257. Also Japan Corres., F.O.46, Vol. 49, Roberts to War Office, Yokohama, 15 February 1864.
- (2) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Yedo, 13 July 1859.

that the Japanese had decided upon this scheme of evasion before they signed the treaties the previous summer. ⁽¹⁾ If true this might explain Harris' surprise; "They did astonish me!" he wrote when, after two years of stubborn contention, the Japanese suddenly gave way ⁽²⁾ completely on the currency question. The institution of this new trade coinage would seem to give the lie to those foreigners who depicted the Japanese as more sinned against than sinning and much tricked by the ⁽³⁾ wily foreigners.

When the foreigners first came ashore in July 1859 expecting to begin trade, they found themselves at once faced with a double violation of the treaty; the Yokohama location and the new trade coinage, each being presented to them as a *fait accompli*. Some of the newcomers were travellers interested more in buying souvenirs than in renting warehouses. These went immediately to the Customs House to exchange their Mexican dollars for Japanese coins. They expected to be given three of the standard Japanese silver *ichibus*

(1) Parliamentary Papers, House of Commons, 1867, Vol. LXIX (Cd. 3689) Report on the Currency of Japan, p. 360.

(2) Harris, Complete Journal, p. 529.

(3) Parliamentary Papers, op. cit., p. 643.

for each of their dollars, as three ichibus roughly balanced one dollar in weight and silver content. At the Customs House exchange office, Japanese officials, their two swords placed neatly in racks beside them, squatted behind piles of bright, new coins, larger and heavier than the ichibus. Two of these new coins were given for each Mexican dollar in place of the expected three ichibus. This seemed fair enough, as a trial weighing in the palm of the hand indicated that they met the weight-for-weight requirements of the treaty. However, the foreigners' first attempt to make purchases revealed the amazing fact that the price of everything had trebled in a single night.

After much furious sign language, the foreigners came to understand that two of the new coins, instead of being equal to three of the old, had only one third the purchasing power of three ichibus. The Government, in replacing three of the old ichibu coins by two of the new ones, had not stamped each of the new coins as worth one and one half ichibus, but as worth only one half an ichibu.

Most retail prices in Japan were in terms of the copper "cash" coins rather than gold or silver, ⁽¹⁾ so that

(1) Harris, Complete Journal, records that even very large bills were reckoned in cash.

instead of the two new coins exchanging for 4,800 copper coins, as did three ichibus, they exchanged for only 1,600 coins. The foreigner's silver dollar bought only a little more than thirty cents worth of goods.

As with the location, the treaty had thus been violated with a single stroke, the foreign dollars depreciated by two thirds, and Japan changed overnight from a country in which goods were cheap to one in which they were among the dearest in the world. "Its effect on our trade is too fatal....," wrote Alcock, "the treaty thus interpreted would remain a dead letter."⁽¹⁾ With the exception of a few small barter arrangements, trade came to a full stop.

And yet the treaty had apparently not been violated. Any foreigner who wished to pay the new high prices could do so, the Japanese Government philosophically pocketing the difference. The milder among the foreigners remarked ruefully that this clipping of the dollar by two thirds made things pretty dear, while one of the less even-tempered recalls caning a Japanese merchant in a dispute over the new prices. The two had settled the price of a jacket in the old ichibus before the issue of the new

(1) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Yedo, 13 July 1859.

coin. After the transaction, the Japanese merchant came back alone, at night, to return the change from the original price and apologise for having had to increase his demands in public under pressure from the local officials.⁽¹⁾

The new coin was distinctly a coin for foreign use as there was already another half ichibu coin in general circulation. This was a small, gilt-washed, silver coin which had been brought out by the Perry Expedition in 1854 and assayed at a silver content of seventeen cents U.S. as against the fifty cents which the new coin was worth. The old coins were not being re-called, and since two coins of the same face value, one containing more than three times the silver content of the other, could hardly circulate side by side in the domestic economy, the new coin was quite obviously limited to foreign trade.

As the new coin did not circulate outside of the treaty port, those Japanese merchants who received the heavy trade coins in payment from foreigners, would have to exchange them at the Customs House for standard Japanese coin or risk the severe penalties involved in melting the coins into silver ingots. The prices of all

(1) H. Tilley, Japan, the Amoor and the Pacific, pp. 133-135.

produce to foreigners was raised by two thirds, and
 this profit in turn accrued to the Government.⁽¹⁾

By the medium of the special trade coin, the Government was buying foreign dollars at the cost of one ichibu. As an ichibu was intrinsically worth about thirty cents in silver, they were buying more than four shillings worth of silver for roughly one shilling and sixpence. These dollars went into the melting pot at the Government Mint to emerge as new ichibu coins. After minting costs, this left a profit of roughly 60%.

This stroke achieved two of the Government's purposes at once; it kept the trade in Japanese produce small by raising its price and it increased the Government's money power against both the foreigners and its own vassals by giving it a profit in silver on whatever trade was done.

At Shanghai, a merchant wrote that "this arbitrary proceeding of the Government with regard to the Mexican dollar, is a bad beginning,"⁽²⁾ while at Yokohama, Keswick, trying vainly to convert his 40,000 Mexican dollars into Japanese coin at the three ichibus for a dollar treaty rate, and thence into Japanese produce, thought the

(1) ibid., p. 159.

(2) J.M. & Co., Box Shanghai 1859, J.M. & Co. to Jardine, 17 July 1859.

treaty "had better never have been made."⁽¹⁾ Led by Alcock, the foreign diplomats protested and the new coin was withdrawn early in August. The Government was faced with another expensive minting operation and the official who had devised the scheme was disgraced.⁽²⁾

It would have taken from four to six weeks to strike these coins, and an equal period to melt and recast them into ichibus, so that there would be a shortage of the standard ichibu coins until some time in the autumn when the 640,000 trade coins had been recalled and melted.⁽³⁾ Perhaps because of this, the withdrawal of the new coin proved to be a hollow victory for, although the Government now agreed to exchange ordinary Japanese silver coin against dollars as specified in the treaty, it clamped down upon the quantity it issued and refused to exchange more than enough to cover the personal expenses of the foreigners. At Yokohama, twenty

(1) J.M. & Co., Box Yokohama 1859, W. Keswick to J.M. & Co., 23 July 1859.

(2) N.G. Munro, Coins of Japan, London, 1905, p. 220.

(3) The Edo silver mint struck 21,000 ichibu coins per day, but due to the large number of Japanese holidays, the number of working days a month is very uncertain. One estimate was 240 working days a year.
Parl. Papers, Vol. LXIX, 1867, (Cd. 3869) pp. 617-640, Report on the Currency of Japan.

miles from the Government mint at Edo, this meant \$30 per day per person, while at distant Nagasaki, foreigners were only allowed to exchange \$3 per day. At \$30 per day, less his own expenses, it would have taken Keswick a long time to invest his \$40,000 in Japanese produce. Throughout the second month, trade remained small. Yet the Government was, strictly speaking, on legitimate ground as the treaty specified merely that an exchange be provided, without setting forth any specific amount.

At the time Harris had negotiated his treaty, he had been on friendly terms with many of the Japanese officials⁽¹⁾ and could hardly foresee their imminent removal from office. Given the existing Japanese objections to any commercial treaty, it may have seemed wiser at the time to write one in general terms, leaving the details to be worked out in the light of experience. What might have seemed an advantage then, turned later into a serious weakness for when a new group of men⁽²⁾ determined to nullify the treaty came into power, the general terms in which it was couched gave them great scope for engineering its destruction. Without coinage

(1) A. Michie, Englishman in China, Vol. 2, p. 38.

(2) Japan Corres., F.O.46, Vol. 3, Alcock to Malmesbury, Yedo, 28 July 1859.

there could be little trade, and after two months the foreign diplomats found themselves still checked by those whom London regarded as the timid and ignorant Japanese.⁽¹⁾ In his negotiations, Alcock was forced to fall back upon the weak argument that the spirit of the treaty was being infringed. It did not serve.

Pioneering at Yokohama was proving a great deal more difficult than it had at Nagasaki, and Keswick of Jardines was having his troubles. Although he had secured a bungalow and a godown ashore on July 7th, he was not able to land his cargo from the "Nora" until the 20th. It took him all this time to overcome the objections of the Japanese officials, but he had successfully landed his goods two days before British Consul Vyse raised his flag and offered his official help. Although Vyse worked diligently, that help proved little enough. In the face of the determination of the Japanese officials to restrict the trade, Alcock's orders to be patient with them, and the absence of any warship in harbour, there was not, perhaps, a great deal to be done. The mutual desire of both Japanese and foreign merchants for profit made little headway against official policy that first summer.

(1) Japan Corres., F.O.46, Vol. 2, Malmesbury to Alcock, London, 1 March 1859.

Having managed to establish himself ashore, Keswick found his problems continuing. The first Japanese merchants at Yokohama were not in the ordinary sense merchants, so much as shopkeepers. This was probably in line with the Government's attempt, as at Shimoda, to keep trade limited to the sale of a few souvenirs and such articles as could not develop into a valuable bulk business. At first the larger Japanese merchant houses probably avoided this trade at Yokohama, knowing the Government intended to limit and discourage it as much as possible. As firms such as Mitsui⁽¹⁾ loaned money to the Government in return for monopoly privileges, it was hardly in their interest to flout Government policy in return for a negligible profit. After two or three years when, in spite of everything, trade prospered at Yokohama, the larger Japanese firms began to establish branches there, but in the early days Keswick was dealing mostly with small storekeepers. Having little capital, these men were forced to borrow from foreigners to purchase goods in the interior, and could not begin a new transaction until the old one was completed. Foreign trade made some of these storekeepers and pedlars into sizable capitalists in their own right,

(1) J. Black, Young Japan, Vol. 2, p. 174.

(1)
but this took time.

These first beginnings have been described as being on "such a lilliputian scale, and introduced in so dainty a manner, that to merchants accustomed to the large transactions of China the whole affair wore something of the air of a comic opera, or as if children were playing at being merchants."⁽²⁾ Instead of inspecting a small sample of tea or silk in their warehouses, as in China, and purchasing a shipload on the basis of the sample, the foreign traders found themselves trudging through the mud of the little Japanese bazaar, at first light and again at noon, in order to haggle like peasants for the small quantities of seaweed, isinglass, sharks' fins or dried mushrooms, without which their ships must sail away empty. By barter and purchases, Keswick was thus able to obtain a small cargo of seaweed, isinglass and peas to put aboard the "Nora" for her return trip to China. She sailed on July 27th and her cargo, which may have been the first shipment from the port of Yokohama, cost only \$1,117. It sold at Shanghai for \$3,637. Another merchant secured a similar small "chow-chow" cargo by giving promissory notes

(1) M. Paske-Smith, Western Barbarians, p. 213

(2) A. Michie, Englishman in China, Vol. 2, p. 27.

(1)
pending the settlement of the exchange.

In imports, the Dutch did a small business in trinkets and pedlars' wares, but looking to future trade, Keswick refused to part with "Nora's" small cargo of piece goods and Chinese purgatives, claiming them as samples in order to negotiate larger contracts to barter goods within sixty days. He managed to arrange with one large shop-owner to exchange silk against sugar and sugar candy. The silk was later to arrive in London having cost eight shillings a pound. Current market value in London was 16 shillings a pound, so that while currency negotiations dragged on, a barter trade was worth attempting. In common with the other merchants, Keswick regretted that he had trusted in the treaty and brought dollars instead of goods.

In the hope of making good this omission, he ordered a shipload of goods from Shanghai. At that time he spoke only the little Japanese he had learned at Nagasaki and seems to have managed by combining this with sign language and the help of his Chinese comprador. (2) The written

(1) J. Heco, Narrative, Vol. 1, pp. 207-8.

(2) A word left over from the Portugese trade of the 16th & 17th centuries to describe a combination of clerk, interpreter, buyer and warehouse superintendent. They were usually Cantonese who combined business acumen with long experience in foreign trade. They went all over China and Japan with the foreigners from whom they learned western methods and, honestly or otherwise, often earned enough to set up on their own.

characters for goods being roughly the same in Chinese and Japanese, Keswick seems to have placed his first orders in Shanghai by despatching chits bearing the Chinese characters with his own superscription stating the amounts required. He himself must often have remained ignorant as to the exact nature of the goods he was ordering.

A steamer was chartered in Shanghai at \$4,000 a month and the cost of her coals. She was duly laden with rhinoceros horn, tortoise shell, ginseng, cloves, indigo, rhubarb, sugar candy, blue handkerchiefs, five thousand elastic bands with imitation stone fastenings, and various bulk goods. It proved to have been a bad choice. Only the sugar candy, rubber bands and medicines were worth paying the duty to land. The bulk of the cargo, some 170 tons of gypsum, mangrove bark, sappanwood and rattan, had to be shipped back to China, less some three tons jettisoned at sea to lighten ship in a storm.⁽¹⁾ The same storm sprang some of her plates, the seawater rotting most of the cargo of seaweed from Yokohama. Prospects were not bright.

Other trial efforts in the new market were proving equally unfortunate. Dents had to return to China some

(1) J.M. & Co., Account Book, "Shipments to and from Japan, 1859-60".

\$26,000 worth of unsalable tin, while an American merchant imported \$60,000 worth of cottons and woollens at Hakodate, "a quantity so disproportionate to the probable or possible wants of a place like this, that it had the effect of checking what little demand might otherwise have existed, since the Japanese jumped to the conclusion⁽¹⁾ that they must be sold at any sacrifice."

Unsold imports proved to be a minor worry beside the question of uninvested dollars. Keswick, after pressing the customs officers very hard throughout the month of July, had managed to exchange only \$2,000 of his \$40,000 and was not pleased when in August the Shanghai office increased his funds by an additional \$20,000 Mexican dollars. He seems to have had little better luck exchanging dollars in August than he had in July, for his second shipment early in September was worth only \$2,163.

In view of their failure to supply him with Japanese silver coins, Keswick demanded that the customs officers should supply either Japanese gold or copper coin in exchange for his dollars. This being refused, he attempted to sue them for lost interest, but was advised by Consul Vyse that although the failure to provide sufficient

(1) Japan Corres., F.O.262, Vol. 3, Alcock to Russell, Yedo, 20 October 1859.

exchange was probably a violation of the treaty, Alcock would not entertain the case as he had orders to deal patiently with the Japanese.⁽¹⁾ Frustrated in both barter and exchange, Keswick took a ship north to try out the remaining treaty port of Hakodate. His report was simple; a poor place with only fish and seaweed. A shipment of the latter gained a profit of 400% when sold at Shanghai, but since it had only cost \$647 it subtracted very little from the almost \$60,000 which had to be invested. Another ship was sent to repeat the deal, but a competitor had gotten ahead of them and the two shiploads cleared the market.

In two months, Jardines, the largest trading firm in the East, had managed to invest only \$5,000 or so in Japanese produce and, when sending Keswick \$20,000 in August, the Shanghai agent had noted pessimistically that "treasure is being placed so slowly in that quarter, that I see no immediate prospect of quitting even this small parcel."⁽²⁾ Small consolation was the fact that they were not the only ones losing money on uninvested specie. A Dutch merchant had arrived at Yokohama with \$150,000 Mexican on July 1st. Three weeks later he left again,

(1) J.M. & Co., Box Yokohama 1859, W. Keswick to J.M. & Co., 28 July 1859.

(2) J.M. & Co., Box Shanghai 1859, J. Whittall to J.M. & Co., 29th August 1859.

still burdened with the same \$150,000.⁽¹⁾ Things became worse rather than better, and at the end of that first year there were over a million and a half dollars un-exchanged and a drug upon the market.⁽²⁾

In China this problem had not arisen, for the merchants could take Mexican dollars directly into the interior to purchase silk and tea with them. In some inland districts the coins were used as coins; in others they were melted and cast into ingots. This was possible since the Chinese Government did not issue a silver coinage and left ingots to private silversmiths. By contrast, in Japan, coinage was a Government monopoly and forbidden to private individuals.

A Japanese merchant who accepted foreign dollars and wished to buy more tea or silk to continue the trade, had first to exchange his dollars for Japanese coin with the Customs officers. These gentlemen discounted the dollars heavily, and once having suffered in this way⁽³⁾ no Japanese merchant wished to take dollars again. If offered them, he would object that the roads were

- (1) J.M. & Co., Box Yokohama 1859, W. Keswick to J.M. & Co., 23 July 1859.
- (2) A. Michie, Englishman in China, Vol. 2, p. 21.
- (3) E. Griffen, Clippers and Consuls, Ann Arbor, 1947, p. 222, also Japan Corres., F.O. 46, Vol. 39, Arbuthnot to Russell, Treasury, 28 May 1863.

too muddy to bring in the goods or that the wind was against his junks. If he was then offered Japanese coin, the roads would dry up and the wind change mirac-
 ulously.⁽¹⁾ "Business is almost at a standstill in consequence of the low value of the dollar" wrote Keswick in December, while another merchant echoed the same complaint the following March.⁽²⁾ Although in theory the treaty allowed for foreigners and Japanese to use each other's money indiscriminately in trade, the Japanese Government had successfully nullified this stipulation. Accompanying its success in locating the trade under restriction at Yokohama, the Government had also succeeded in conducting the exchange as it wanted. In effect, the calendar had been set back and ^{two of the major} ~~the~~ improvements gained by the Harris Treaty lost within the first sixty days of its operation.

Things were again approaching the state of affairs noted by one of Perry's officers when buying plants from a Japanese gardener at Shimoda in 1854. "I asked him to weigh one dollar, which he did, and told me it was worth three ichiboos," he wrote. "I then asked him if he would

- (1) Japan Corres., F.O. 46, Vol. 3, Vyse to Alcock, Kanagawa, 6 August 1859, enclosure in Alcock to Malmesbury, Yedo, 11 August 1859.
- (2) J.M. & Co., Box Yokohama, W. Keswick to J. Whittall, 28 Dec. 1859. J. Heco, Narrative, Vol. 1, p. 242.

take one dollar for three ichiboos, and on his consenting paid him three dollars for the plants and started for Shimoda, the gardener accompanying me with the plants. He was stopped at a bridge near the Custom House by soldiers in waiting for anyone bearing anything to the landing ... when I returned to look for him the plants were in charge of an officer at the Custom House and he refused to let them pass, -for he said that the bill was for nine dollars and that the man had only shown him the three dollars he had in his hand. I told him I paid but three and that ^{it} was all I was going to pay. He stuttered and stammered a great deal and told me he had positive orders to let nothing pass except at the rate of one ichiboo to a dollar He did not tell me that the additional six dollars were for the Custom House and the Government but this was ^{too} evident from his confusion I was a little disgusted with this Japanese trick of trade." (1)

Perry was not unaware of this attempt to depreciate the foreign dollars, but having modified the ancient Japanese seclusion policy without having had to resort to war, he probably assumed that the matter was better left to later negotiation through regular diplomatic channels. In any case, the Japanese negotiators were adamant upon

(1) J. Morrow, A Scientist with Perry, Chapel Hill, 1947, p. 200.

the subject. Rather than risk the loss of all he had gained, and admitting the difficulties of negotiating a currency exchange in a country where the cost of labour, food and rent were a mystery, Perry gave way on the point. ⁽¹⁾ He probably assumed that the matter was best left to a businessman like Harris, whom he had met in Shanghai, and subsequently recommended to be the first American Consul in Japan.

When Harris arrived at Shimoda in 1856, the Japanese officials attempted to enforce the same one dollar for one ichibu exchange against him but, as a Dutch writer noted, the American businessman was not to be taken in this easily and, after several months experience of buying supplies and paying wages to artisans and servants, he demanded, and received, an exchange of three ichibus for each silver dollar. ⁽²⁾ This coinage provision was later incorporated into all of the foreign treaties. Under it the Government was to provide an exchange of equal weights of foreign for Japanese silver coin at its Custom House for the first year of trade. After that it was assumed that

(1) The report of the fleet pursers in contained in S.W. Williams, Chinese Commercial Guide, 5th Edition, p. 256.

(2) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 66, also Harris, Complete Journal, p. 234.

Japanese merchants would be familiar with the foreign dollars and accept them indiscriminately at equal weight with their own coin, weighing them on their scales as they had when Perry's officers bought souvenirs.

However, by limiting the amount of Japanese coin it furnished for exchange, the Government prevented enough Japanese coin getting into circulation for any sizable private exchange dealings to take place. The Japanese who accepted silver dollars then had the choice of either buying foreign imports, which being new and strange were difficult to sell, or of exchanging the dollars at discount with the Government Custom House which was, in essence, the same system used against Perry's officer in 1854. Had it not been for this depreciation, it was thought the Japanese would have accepted the dollar
(1)
freely.

It may also be true, as reported, that the Government forbade Japanese merchants from buying foreign
(2)
goods. At all events, very few imports were sold that first year.

At the year's end in July 1860, Alcock asked for, and received, the continuance of the three-for-one equal

(1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 18, Yedo, 20 November 1859.

(2) Lensen, Russian Push Towards Japan, p. 373.

weight exchange for himself and all other foreign officials in Japan, but was unable to prevail upon the Government to continue it for foreign merchants. The Government could now not only set the rate at which to exchange dollars for Japanese, but also for foreign merchants.

Alcock had made no headway against stubborn Japanese policy. After a fruitless four hour interview with the Japanese foreign ministers, in which Alcock, Harris and de Bellecourt vainly pushed their common objections against restriction and exchange control, the French Consul-General noted pessimistically that in truth the commercial treaties of 1858 had ceased to exist. This was early in December, not six months after the beginning of trade. The Japanese would not be bluffed. Lacking a naval squadron, there was nothing the foreign diplomats could do but accept defeat and make the best of things until warships appeared. Alcock had argued until too exhausted to continue, whereupon Harris had taken up the attack, speaking bitterly as a man whose good faith had been betrayed.⁽¹⁾ It was to no avail and Alcock, being himself confused as to the relationship between the purchasing power of Japanese gold, silver and copper coins, which he could not accurately ascertain as the Japanese

(1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 24, Yedo, 9 December 1859.

staff furnished him by the Government interfered in all purchases, gave in and referred the matter to London.

The question was even more difficult to solve at a distance, and a Treasury official in London wrote four reports for the guidance of the Foreign Office in the matter. The first was based upon an interview with Alcock who was home on leave. It accepted his opinion that the Harris currency provision had been made in error ⁽¹⁾ and that the British merchants in Japan were financial speculators and dealers in foreign produce who had little interest in the sale of British textiles. This second argument always carried weight in London where the sale of British exports was the major commercial interest, but it omitted the fairly elementary relationship between the purchase of silk and the sale of shirtings. British goods were purchased in Japan in proportion to British purchases of local produce; without the one there could not be the other. ⁽²⁾

The report aroused the anger of a British merchant from Japan, Francis Groom of Glover & Co., who visited the Treasury and gave his version of affairs in Japan. This interview resulted in a second report which was more

(1) Japan Corres., F.O. 46, Vol. 39, Arbuthnot to Foreign Office, Treasury, 15 January 1863.

(2) Parliamentary Papers, 1867, Vol. LXVIII, (Cd. 3940) p. 539, Mybergh to Parkes, Yokohama, 3 April 1867.

(1)
favourable to the merchants. On Groom's evidence it refuted Alcock's claim that British merchants were merely interested in a carrying trade and not in the sale of British exports.

This second report went on to point out that Alcock's failure to make the Japanese Government supply sufficient exchange to meet the needs of the foreign merchants, left those merchants at the mercy of the Japanese Custom House officials. The latter, "having ascertained their power, felt themselves free to make their own terms with the foreign merchants" and dropped the exchange rate from 311 ichibus for each \$100 to (2)
230, then 210 and finally 200.

Two more reports followed as the Treasury obtained more information from Britons who had been in Japan until, with their fourth and final report in June of 1863, they came full circle, admitting that the Harris weight-for-weight provision was justified, and that until an ounce of Japanese silver coin exchanged for an ounce of foreign silver coin, there was not much hope that the Japan trade could reach its natural expansion. The final report also concluded that some of the foreign consuls supported the

(1) Japan Corres., F.O. 46, Vol. 39, Arbuthnot to Foreign Office, Treasury, 18 February 1863.

(2) ibid.

official exchange because they profited from it.⁽¹⁾ In a private letter a few days before this last report, an official at the Treasury had decided that Alcock, although the initiator, was innocent as he did not seem to understand the currency problem in Japan.⁽²⁾ It seems to have been a case of honest ignorance, combining fortuitously with personal interest as well as with personal prejudice, for perhaps quite as serious as the limiting and speculative effect the new exchange had upon the trade, was its effect of continuing the breach between Alcock and the merchants. One of the reasons given by the Treasury in recommending the ending of the official exchange was that it continued the impression among the merchants that Alcock, in arranging it, had been "less mindful of their interests than of those of the Diplomatic and Consular Service."⁽³⁾

Accepting the Japanese failure to provide a sufficient amount of exchange to carry on as large a trade as seemed possible, Alcock chose to attack the exchange provision of the original Harris treaty. This he did,

- (1) Foreign Office, 28 May 1863, and Arbuthnot to Foreign Office, 15 June 1863.
- (2) Japan Corres., F.O. 46, Vol. 39, Arbuthnot to Russell, 11 June 1863.
- (3) Japan Corres., F.O. 46, Vol. 49, Treasury to Foreign Office, 9 July 1864, and J.M. & Co., Box Yokohama, 1864, S. Gower to C. Hope, 28 September 1864.

labelling it as "erroneous and vicious;⁽¹⁾ and the sooner it is departed from the better." This judgment has been accepted by other writers who refer to the equal weight provision of the treaty as "a monstrous stipulation,"⁽²⁾ the "extraordinary monetary article devised by Mr. Harris,"⁽³⁾ and as "strange and anomalous, in violation of every principle of international law, and utterly unjustifiable both politically and financially considered."⁽⁴⁾

That Alcock, a physician by training, should have a better knowledge of commerce than Harris, a successful importer in New York and later a merchant on the China Coast is, on the face of it, doubtful. Neither Harris nor Donker Curtius, the Dutch commercial and diplomatic agent who accepted the same currency provision as Harris, had seen anything wrong in it,⁽⁵⁾ nor have they been accused of any personal speculation. Both men had merely demanded that an ounce of their silver coin buy as much as an ounce of Japanese silver coin. In accord with the thinking of the day, the automatic working of trade would

(1) R. Alcock, Capital of the Tycoon, Vol. 2, p. 414.

(2) A. Michie, Englishman in China, Vol. 2, p. 18.

(3) M. Paske-Smith, Western Barbarians, p. 213.

(4) Parl. Papers, 1867, Vol. LXIX, (Cd. 3896) pp. 630-631, Report on the Weights, Measures and Currency of Japan.

(5) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 66.

then bring the prices of Japanese commodities, including the precious metals, into harmony with world levels.

Both men, unlike Alcock, had lived in Japan prior to 1859.

Alcock was one of those Victorians whose varied talents seem amazing in this more specialized age. In addition to his profession as a surgeon, he was a skilled linguist, well read in several European languages; an excellent amateur botanist, everlastingly collecting and shipping plants to Kew; a skilled hand with a sketch pad; a connoisseur of Japanese art, an exposition of which he promoted and organised in London; a man of penetrating social and political insight; and the author of books on travel, moral philosophy, Japanese art and grammar. Along with the abilities of the upper class Victorian Englishman, Alcock also had his weaknesses. A lack of training or interest in economics was one of these, and his unconcern in preparing accurate trade reports was a source of complaint on the China Coast.⁽¹⁾ Neither did he have the assistance of a commercial attache, for this post did not then exist in the British Foreign Service. Sir Harold Nicolson remembers that even up until 1914 it was considered somehow socially degrading for a

(1) J.M. & Co., Box Printed Miscellaneous No. 2.
News clipping on trade from a China Coast paper
of the year 1868.

British diplomat to know much about business.

With at least a questionable command of economic principles,⁽¹⁾ Alcock had attacked the Harris exchange provision. This now left the question of why this erroneous exchange rate which should be abandoned for British merchants, was right and proper for British diplomats. He justified this by writing that the diplomats should not be left at the "will of ~~the~~ parties at the ports..., at the mercy of others, to the destruction of their independence."⁽²⁾ At variance with this published explanation was Alcock's private explanation to a Treasury official in London, to whom he admitted that the official exchange was "indefensible in principle, only he said if you take it away you must raise our salaries."⁽³⁾

Alcock is reported as being personally honest,⁽⁴⁾ but mistaken in the matter, and had he demanded that the Yokohama merchants exchange diplomatic salaries it would have severely diminished the limited supplies of Japanese coin with which they had to buy produce. His

(1) Archives, Corres. Consulaire, Vol. 1, de Bellecourt to Ministry, No. 86, Yedo, 6 March 1861.

(2) R. Alcock, Capital of the Tycoon, Vol. 2, p. 422.

(3) Japan Corres., F.O.46, Vol. 39, Treasury to Foreign Office, 10 June 1863.

(4) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p.74.

biographer refers to this special exchange as "a simple measure of justice to salaried officers,"⁽¹⁾ but British merchants put the worst possible construction upon Alcock's reliance on the Japanese Government to supply his financial needs, and Alcock complained of the calumniations and insinuations of bribery which appeared in the China Coast newspapers as a result.⁽²⁾ If Alcock's claim of financial hardship is true, then the Japanese Government was in actuality paying a part of his salary by this privileged exchange rate. It is also possible that Alcock was trying to save money against his retirement.

In any case, this apparently honest ignorance worked heavily in his favour, as all Japanese coin which was not needed for living expenses could be sold to the foreign merchants at roughly one third profit. "The gains of a Minister whose salary was \$3,000 a year it may easily be seen were very large," wrote Ernest Satow, a language student at the British Legation, who with the lowest salary on the staff was able to live well, keep a pony and drink champagne on the profits of this arrangement. "For my own part, I cannot look back on that period without shame," he continued, "and my only excuse is that I

(1) A. Michie, Englishman in China, Vol. 2, p. 21.

(2) R. Alcock, Capital of the Tycoon, Vol. 2, pp. 423-424.

was at the bottom of the ladder and received the proportion paid to me by those who were in charge of the business."⁽¹⁾

At all events, Alcock did not press the currency issue during the remainder of his stay in Japan, and later he came to believe that the depreciated value of the dollar helped to sell British textiles.⁽²⁾ The Japanese Government seems to have assumed that by this arrangement it had purchased the compliance of the foreign diplomats in its violation of the coinage provision of the treaties for, in 1864 when the Prussians succeeded in persuading the other foreign governments to give up this privilege, it was the Japanese Government itself which undertook to go on paying the special exchange rate.⁽³⁾ It admitted that the rate it was paying the foreign merchants was not proper and that its currency would have to be reformed to meet the world standard weight-for-weight provision of the 1858 treaties, but stated that it wished to postpone

- (1) E. Satow, A Diplomat in Japan, London, 1921, p. 26. See also Paske-Smith, Western Barbarians, p. 255, who reports the diplomats as "living" in clover" on the official exchange, and F.V. Dickens, Life of Sir Harry Parkes, London, 1894, Vol. 2, p. 107.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 86, Yedo, 6 March 1861.
- (3) Japan Corres., F.O.262, Vol. 480, Foreign Ministers to Alcock, Yedo, 27 October 1864.

this reform and continue its "temporary measure" for
exchange, by then in its fifth year.⁽¹⁾

Apparently the Government reasoned that as long as it paid the foreign diplomats a better rate than the foreign merchants, the diplomats would continue to allow it to profit from the exchange. Whatever the cause, this was in effect what had happened, but a year later, without any diplomatic action whatever, the currency question arranged itself. Ironically, it came about through the very official exchange which the Japanese Government had granted in order to prolong the profitable difference it maintained between foreign and Japanese silver coins. When the arrangement had been made in the spring of 1860, there were only a handful of foreign diplomats in Japan, no troops and, as Alcock often complained to the Foreign Office, no warships. Hence the payment of the official exchange rate put very few Japanese coins into circulation each month. Political troubles in the following years brought both troops and ships to Japan, so that throughout 1864 and 1865, there were roughly five thousand foreign soldiers and sailors at Yokohama, all demanding, and all entitled to, the official exchange rate.

A Yokohama merchant, describing the currency

(1) Japan Corres., F.O.262, Vol. 480, Foreign Ministers to Alcock, Yedo, 20 November 1864.

question in a letter to the local paper, wrote "We, like the true sailor, go for 'Three Ichiboos to the Dollar and the Siller for ever'. We truly confess that we would like to get as much of the Tycoon's money in exchange for our dollars as the Admirals and their men or the Ministers and their Consuls. How often have we watched those stout, strong and hearty seamen during the dog-days of Yokohama, staggering, yes literally staggering, under their load of dollars, with the trim and sprightly pursers hard-bye, wending their way by the shortest of cuts to the Treasury Department of the local Custom House; there to tell out their thousands of dollars, while a triple return in Ichiboos is being got ready by the hard worked officials No part of their duty is more punctually and scrupulously performed than is this labour of love by our stead-fast defenders."⁽¹⁾ During the year of 1864 alone, more than \$2,500,000 was exchanged by foreign officials, the bulk of it for naval personnel, and this pumped almost 8,000,000 ichibus into business channels.⁽²⁾

This naval money was quickly put into circulation by way of the grog shops of Blood Alley, and soon there

(1) J. Heco, Narrative, Vol. 2, p. 39.

(2) ibid., pp. 72-73.

was enough Japanese silver coin outside of the Customs House so that half a dozen private exchange rates could be found in the town. As it lost its scarcity value the ichibu exchange rate began to climb upwards towards the equal weight exchange of 311 for each 100 dollars, which Harris had asked for in the first year.

The Government silver mint at Edo could evidently supply sufficient Japanese coin to finance a large trade, if only it were pressed to do so. The ready supply of ichibus brought forth to supply the needs of foreign warships between 1863 and 1866 seems proof of this. Claims that the mint's capacity was inadequate⁽¹⁾ do not seem justified in view of this performance, while the need for modern steam-driven stamping machines, first broached by the Treasury in London in 1863, later taken up and ordered by the French in 1865, and this failing, finally resolved by Jardines' sale and delivery of the old Hong Kong mint in 1868, was helpful to the establishment of a sound national coinage but by no means necessary to finance foreign trade.

Harris was told in January of 1860 that, over and above its domestic requirements, the Edo mint could deliver 20,000 ichibus a day for foreign exchange for the

(1) J. Heco, Narrative, Vol. 1, pp. 249-250.

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240 working days of the year. This would put a total of \$1,600,000 worth of ichibus into circulation each year. Since it put more than \$2,500,000 worth of ichibus into circulation in the year 1864 alone, the Government apparently had built up a large reserve of the coin which it had withheld from the foreign merchants.

The French Consul-General had reported that the Government was using foreign dollars to build up its own treasury in this way, while limiting or closing (2) the exchange to foreigners upon the slightest excuse. The production of the mint itself had been little changed in six years, for a British diplomat reported in January (3) 1867 that it was turning out only 21,000 ichibus daily. The methods were the most primitive, requiring as tools only a pair of shears, a mallet and several handstamps. Had the Government wished to increase the output of Japanese coin at any time during those first years, it had only to hire more laborers. The foreigners themselves furnished the silver dollars which were 90% pure and had only to be melted and poured directly into moulds.

- (1) E. Griffen, Clippers and Consuls, p. 222.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 16, Yedo, 18 November 1859.
- (3) Parl. Papers, 1867, Vol. LXIX, (Cd. 3869) pp. 617-640, Report on the weights, measures and currency of Japan.

All that was lacking was the desire.

The Japanese victory in maintaining control of the exchange for the first six and a half years of trade had several results. It had brought profit to the foreign officials who did well by selling their unused ichibus to foreign merchants and it had returned a large profit to the Japanese Government. This profit fell slowly over the years as more and more ichibus came gradually into circulation, and Japanese merchants began to use their dollars more often to buy foreign imports than to exchange them at the Customs House. The Government itself was even forced at times to go out and purchase dollars for armaments, indemnities or to send a diplomatic mission abroad. These factors kept some sort of a floor under the value of the dollar, so that it never fell below two ichibus. The latter coin maintained its advantage until early in 1866 when the exchange reached parity.

Until 1866 the exchange usually yielded a profit, and in the early years this was considerable. The French Consul-General, after talking with foreign merchants and cross-checking their figures with the Japanese Customs Officers, estimated that at Yokohama alone, during the year 1860, the Japanese Government had earned some

\$417,000 in customs duties. Against this, he estimated that it had gained an additional \$2,328,333 by depreciating dollars at the Customs House.⁽¹⁾ Small wonder it was unimpressed when Alcock spoke of the blessings of foreign trade in terms of the customs revenue.⁽²⁾ By contrast, in China the customs revenue became such a mainstay of Government income that it was forced to support a large foreign trade.⁽³⁾ The Japanese Government by its victories in locating the foreigners at Yokohama and controlling the exchange could be relatively indifferent to customs revenues.

When 1866 brought parity, it also brought an end to both diplomatic and Government profit from the exchange rate, but the third effect of the Government's early control of exchange continued. This was the effect it had had upon the foreign merchants. In these pre-telegraph days it could take as long as nine months to ship goods from Japan for sale in Europe and learn the result of that sale, so that even the most soundly based business propositions could go astray, and the Japan trade of the

- (1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 83, Yokohama, 10 January 1861.
- (2) R. Alcock, Capital of the Tycoon, Vol. 1, p. 285.
- (3) R. Murphey, Shanghai, Key to Modern China, pp. 125-126.

sixties was described as a game of chance.⁽¹⁾ The Shanghai exchange depended upon whether Mexican dollars were scarce or plentiful and its unit of account, the tael, usually fluctuated only between 72 and 80 to \$100 on fairly predictable seasonal lines,⁽²⁾ whereas the Japanese exchange apparently depended upon the much more arbitrary factor of what value the Customs House was willing to put upon dollars.

Currency problems were not to be solved by parity in 1866 for the problem of quality now arose to replace that of quantity and to bedevil trade until 1871. The years between 1863 and 1868 saw the fighting of a sporadic civil war gradually build up to the final overthrow of the Shogunate in the latter year. In addition to the normal troubles of supplying silk and tea from fought-over areas, the civil war continued currency troubles, as between 1866 and 1868, it brought forth a heavy issue of paper money as well as the depreciation and the debasement of Japanese coins.⁽³⁾ Foreign traders lost heavily, some in innocence and some through

(1) Parliamentary Papers, 1867, Vol. LXVIII, (Cd. 3940) Trade Report Japan, Mybergh to Parkes, Yokohama, 3 April 1867.

(2) Denny, Mayers and King, Treaty Ports, p. 393.

(3) F.V. Dickens, Life of Parkes, Vol. 2, pp. 115-117.

speculation in Japanese coinage, but the net effect was
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to hamper trade.

It was not until 1871, after Jardines had sold the old Hong Kong mint to the new Meiji Government, that a merchant could write, "We are at last going to have a
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fixed and proper currency." Oddly enough, after eleven years of squabbling over token values and relative purchasing powers of the various copper, silver and gold coins to be found in China, Japan and the West, when the Japanese Government finally set up a western style mint and began to strike coins, the model it chose was the same Mexican dollar whose use had caused so much debate in the early years.

This new coin, the silver yen, was struck to the same weight and purity as the Mexican and became a profitable Japanese export which gradually replaced the Mexican dollars on the China Coast. In common with many other reforms of the new Meiji Government, the yen coin seems to have been planned by its predecessor before the
(3)
civil war went against them.

- (1) J.M. & Co., Printed Miscellaneous No. 2, Report of Committee on the Depreciation in Value of Native Coin, Yokohama, 5 April 1869.
- (2) J.M. & Co., Box Hiogo, 1871, E. Fischer to J.M. & Co., Hiogo, 15 April 1871.
- (3) Denny, Mayers and King, Treaty Ports, p. 586.

Although to a trading firm the profit gained by the banking operation of moving coin from where it was in abundance to where it was scarce, was as welcome as a profit on a sale of British woollens or Japanese tea, the fluctuating exchange for native coin by the uncertainty it lent to all normal trading transactions was pernicious in itself and tended to limit the development of a regular trade. At Yokohama in 1868, the ichibu exchange fluctuated between 232 and 338 per \$100,⁽¹⁾ while a merchant at newly-opened Osaka wrote that trade in both imports and exports was completely flat due to currency fluctuations.⁽²⁾

Thus, after a dozen years, the question of a coinage sufficient in quantity and quality to finance a large foreign trade worked itself out, the final method being that which Harris had put to the Japanese in 1858. He told them then, that they might use bits of leather or paper or anything they chose as a domestic currency, but foreign trade dealings would have to be carried on with coins that were equal in weight and purity to world standards.⁽³⁾ After 1871 this became the

(1) Archives, Corres. Commerciale, Vol. 5, de la Tagerie to Ministry, Yokohama, 28 March 1869.

(2) J.M. & Co., Box Osaka 1869, T.B. Glover to F.B. Johnson, 10 August 1869.

(3) Harris, Complete Journal, p.312.

case, as the Japanese Government issued paper notes for internal use and struck silver yen of equal weight and quality to the Mexican dollar, both of which coins jointly financed Japan's foreign trade until she went on to the gold standard in 1894.

Another aspect of the early days at Yokohama was the export of Japanese gold coin. At the time, and ever since, this export has received an undue and unrealistic amount of publicity but, as both foreign and Japanese merchants involved in it looked upon the export of gold coin as a commodity export rather than a banking matter, it is best treated in common with other exports in that first year at Yokohama.

Chapter Three

THE EXPORT OF GOLD FROM YOKOHAMA

The export of Japanese gold coin arose from a proposal of the Japanese themselves. Harris had put forward a draft currency clause prohibiting the export of Japanese coin, providing that foreigners should use Japanese coin and that the Japanese Mint should receive a seignorage of 6% to cover the cost of melting dollars to re-mint into ichibus. "To my utter astonishment," wrote Harris, "they (the Japanese negotiators) ~~not only~~ gave up the 6% (mintage charge) and permitted the free exportation of their(gold and silver)coin!and also declared that^{all} foreign coins should pass freely in Japan,"⁽¹⁾ but this in common with several other treaty⁽²⁾ provisions, they moved to nullify by domestic edict. As they told the French Consul-General, "although you have the treaty right to buy, we have the right to forbid our merchants to sell."⁽³⁾

The question of exporting Japanese silver coin never

- (1) Harris, Complete Journal, p. 529. The current seignorage at the U.S. Mint in Philadelphia was 1%.
- (2) Yosaburo Takekoshi, Economic Aspects of the History of Japan, London, 1930, Vol. 3, p. 336, also J. Heco, Narrative, Vol. 1, p. 234.
- (3) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 16, Yedo, 18 November 1859.

arose due to its unfavourable exchange rate. Some Japanese copper coin was smuggled to China from Nagasaki, but this business seems to have been in Chinese rather than western hands.⁽¹⁾ Gold coin, however, was a different matter.

In February and March of 1859, the few foreigners at Nagasaki had been able to buy the coins so cheaply that they gained a reputed 100% profit by selling them in China. As the Japanese would only accept payment in their own silver ichibu coins, this speculation was kept small by the limited exchange given to the foreigners.⁽²⁾

In June, Mackenzie at Nagasaki had speculated that there would be good business done in exporting Japanese gold coins from Yokohama if only the Japanese Treasury made silver coins available with which to purchase them.⁽³⁾ This it had not done. The foreigners who bought the gold coins did so legally under the treaty, while the Japanese who sold them broke a domestic edict. As the thin gold coins were easily concealed in clothing, the Japanese had no trouble in getting small amounts past the guarded

(1) See Consul Mybergh's diary printed as an appendix to Paske-Smith, Western Barbarians, also S. Wells Williams, Chinese Commercial Guide, 5th edn., p. 266.

(2) H. Holmes, Adventures in Japan, pp. 27-28.

(3) J.M. & Co., Box Nagasaki 1859, K. Mackenzie to J. Whittall, 28 June 1859.

gates of the settlement and paid little heed to the Government decree.

Both the Japanese Government and the foreigners were aware that gold coins might be exported since this business had been carried on in a small way for many years by the Dutch and Chinese merchants of Nagasaki. Japanese gold coins were known on markets as far away as Batavia, and prices for their various issues had been given in a commercial handbook before trade began in 1859.⁽¹⁾

However much the actual exchange value is clouded⁽²⁾ in doubt, it is certain that the weight of silver coin which had to be given for gold coin in Japan was lower than in the rest of the world. One reason this came about was because during the two centuries of Japanese seclusion, silver from Spanish America had been flooding into the West. Its exchange value in terms of gold had fallen from ten to sixteen pieces. Western trade had remained small with China, and a great deal smaller with Japan during this period, so that there had been little equivalent change in East Asia, and the Japanese Government by its proclamation forbidding the export of gold coins seems to have been aware of this situation. Faced

(1) S.W. Williams, Chinese Commercial Guide, 4th edn., Canton, 1856, p. 302.

(2) J. Hall, Tanuma Okitsugu, p. 68.

with the choice of striking a gold coin equivalent to the foreign ratios of roughly fifteen silver to one gold, or of attempting to profit from the foreigners, it temporized, casting a new gold coin in 1859 at a ratio of about eight to one.

By the Government's refusal to exchange more than token amounts of foreign dollars into Japanese silver coin, neither the gold coins nor anything else could be bought in quantity and throughout the summer, gold was obtainable at Yokohama, but "only in dribblets." After two months' effort with over \$50,000 to invest, Jardines' agent was only able to collect and ship one box of gold coins costing \$4,550.⁽¹⁾ Although the firm was trying to invest its funds in any and all Japanese produce, so as not to show a loss on the money sent over from China, it had to report gold as "almost unobtainable and likely to remain so unless the Government modify their restrictions."⁽²⁾ This it did under unexpected circumstances.

Early in September a large Russian warfleet was anchored in Yokohama. When a party of its men ashore buying fresh provisions was attacked by Japanese swordsmen and two of them killed, the situation was tense.

(1) J.M. & Co., Box Yokohama 1859, S. Barber to J. Whittall, 3 September 1859.

(2) J.M. & Co., Box Yokohama 1859, W. Keswick to J. Whittall, 25 July 1859.

Perhaps fearing retaliation and wishing to enlist support from the other foreign nations, the Government suddenly relaxed its restrictions and made a large supply of Japanese silver available for exchange. Thereupon "the evil commenced that all might have foreseen," wrote one Yokohama journalist, "and instead of the Government making the large profit they had calculated upon - 'the biter was bit' - and many foreigners made large sums by exchanging their dollars for boos, purchasing the gold at its disproportionate value, shipping it to China and there selling it at its world bullion value."⁽¹⁾ Coins costing between \$2.17 and \$2.73 were reported as selling in China for \$3.50 to \$3.85.⁽²⁾ Once it became known that the foreigners could now pay in negotiable Japanese silver, the dribblets of gold became a sizable stream, as did the supply of all other produce. Each night foreign and Japanese merchants met in the native quarter of Yokohama to exchange the Japanese silver for Japanese gold. As the Japanese brought forth the gold coins the price quickly rose from six to nine silver pieces. The official exchange rate of four silver pieces had apparently been a fiction for some time as the Treasury officials at

(1) J. Black, Young Japan, Vol. 1, p. 36.

(2) J. Heco, Narrative, Vol. 1, p. 234.

the Customs House would not recognize it, even when these usually susceptible gentlemen were offered a bribe to do so.⁽¹⁾

Reports that these coins brought a profit of 100 to 150% are valid only before trade began in July, or if the official exchange of four to one was recognized. Older, heavier coins were bought and sold at an appropriate increase in price, while contemporaries state that the official exchange of four silver for one gold piece was a fiction, even on the first day of foreign trade in July. Trading company ledgers show the average profit on gold coins to have been about 50%, whereas the rare shipment from Nagasaki returned only between 10 and 25%.⁽²⁾

The French Consul-General reports that the Japanese who sold the coins - and these were sold on account of the Princes as well as individuals - received a 33% profit, while the foreigner who had to insure, ship and then re-sell the coins in China, received a 50% profit.⁽³⁾ This contrasts with Alcock's figure of 100% profit but⁽⁴⁾

- (1) J.M. & Co., Box Yokohama 1859, W. Keswick to J. Whittall, 25 July 1859.
- (2) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 5 October 1859.
- (3) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 12, Yedo, 29 October 1859.
- (4) Japan Corres., F.O.46, Vol. 3, Alcock to Vyse, Yedo, 21 November 1859.

Alcock was not an economist. He presumably received his information from Consul Vyse, about whose lack of commercial experience complaints were later lodged in Parliament.⁽¹⁾ In contrast, the French diplomat used to visit Yokohama and talk to both foreign merchants and Japanese customs officials before writing trade despatches. This was at a time when silk shipments often netted 100% profit, seaweed from 100 to 400% profit, and even the lowly chow-chow cargoes of cuttlefish, mushrooms and shrimps turned a profit of 75%.⁽²⁾ The best buy on the Yokohama market that autumn was not gold but fish oil.⁽³⁾

Gold coins were in demand because they were one of the few Japanese commodities available for export at a time when funds for investment were large and goods for export were few. As such, gold participated in a general demand for goods, being the most valuable neither in terms of profit nor of capital invested. Jardines' instructions to its agent to buy gold, silk, tea and oil⁽⁴⁾ belies Alcock's claim that foreigners were seized with such a

- (1) F.C. Jones, Extraterritoriality in Japan, New Haven, 1931, p. 49.
- (2) J.M. & Co., Account Book, "Shipments to and from Japan, 1859-60".
- (3) J.M. & Co., Box Yokohama 1859, W. Keswick to J. Whittall, 17 November 1859.
- (4) J.M. & Co., Box Shanghai 1859, J. Whittall to J.M. & Co., 26 November 1859.

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delirium of gold fever that they neglected tea and silk. Yet gold was certainly in demand, particularly by smaller firms starting in business. For them it provided an ideal investment, giving a large profit and a quick turn-over of funds with little needed in the way of packing, shipping or warehousing. For the larger firms such as Jardines, it was a welcome but limited outlet for funds. They preferred to deal in produce since this led to a more permanent trade capable of filling the company's ships and regularly absorbing large amounts of capital. Gold coins met neither of these requirements, being in limited supply and obviously a temporary thing.

Although exchange became available in mid-September, it was not until a month later that trade began to boom. Throughout the next four weeks, gold shipments continued small, costing between \$1,000 and \$4,000. Produce was also in relatively short supply, the time lag being apparently the period necessary for Japanese dealers to get their country purchases to Yokohama.

The real gold export began on October 10th when the U.S.S. "Powhattan" sailed from Yokohama for Shanghai with the good news that Japanese exchange, and hence goods, were available for the first time in quantity. Apparently

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 283.

the tale grew with the telling for the Shanghai merchants, "le plus hardis speculateurs du monde," reacted quickly, and on her return voyage of October 20th the "Powhattan" carried half a million silver dollars for investment in Yokohama. Two other vessels are said to have arrived the same week, swelling the total to \$1,200,000.⁽¹⁾

Jardines' Shanghai office felt that the sum was too large and that the business would soon be overdone. At first they thought that the money was all for investment in gold, but two days later reported that at least \$100,000 was for a silk contract.⁽²⁾ That all the money could be for gold was doubted by the more experienced businessmen. Lieutenant Habersham of the "Powhattan" was one. For several years he had been quietly investing his salary - "the old Commodore does not admire such things you know"⁽³⁾ - in items such as porcelain and copper brooms, using commercial firms to handle the business. He had more trading experience on the China Coast than many of the younger merchants, and he noticeably does not mention any great boom in the Japan trade when writing to his

- (1) R. Lindau, "Les Europeens au Japon", Revue des Deux Mondes, Vol. 36, 1 December 1861, p. 767.
- (2) J.M. & Co., Box Shanghai 1859, J. Whittall to W. Keswick, 22 October 1859.
- (3) J.M. & Co., Box Yokohama 1859, A. Habersham to H. Endicott, 20 October 1859.

agent at Hong Kong. He had left some money for investment at Yokohama and, hearing a rumour that the Government was about to stop the sale of gold, wrote hurriedly to his agent to purchase something else, as "no Japanese merchant will fulfill a contract against the order of the Government."⁽¹⁾

In China also, merchants doubted that the money could all be for gold as "the Government would interfere and put a stop to any large quantity of the coin being exported."⁽²⁾ Apparently a small trade in gold coins could be slipped past or done with the connivance of the highly corrupt⁽³⁾ customs officers, but any large export would be stopped by the Government.

The fact that the news "excited everyone" and sent them "hurrying in treasure" to Yokohama⁽⁴⁾ was mainly because of the enthusiasm of newcomers to eastern trade, and of the surplus of capital available at Shanghai. In Japan, as in China, the more experienced men had their misgivings. Jardines' agent at Yokohama wrote, "the

(1) J.M. & Co., Box Shanghai 1859, A. Habersham to H. Endicott, 20 October 1859.

(2) J.M. & Co., Box Shanghai 1859, J. Whittall to W. Keswick, 24 October 1859.

(3) E. Satow, Diplomat in Japan, p. 23.

(4) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 21 October 1859.

amount of dollars sent over here is certainly surprising, and I can scarcely understand how they are to be returned within a reasonable period."⁽¹⁾

His pessimism was to be justified. The Russian fleet had sailed and the unwanted foreign colony at Yokohama had grown in numbers as well as in funds for investment. The trade boom lasted only six weeks before the Japanese Government again clamped down upon exchange early in November. On November 16th Dr. Hall, who had brought over \$30,000 from Hong Kong, had to return it uninvested and, by the 25th, Keswick was writing that the Japanese dealers limited by their officials "to the sale of only a picul or two by one person on one day grew disgusted and drifted away."⁽²⁾ It only remained to gather up the bits and pieces for a final shipment before relapsing again into idleness. The French Consul-General, noting the embargo on export goods, wrote that the Japanese Government was determined on regaining the ground it had lost by treaty and that nothing but warships would dissuade it.⁽³⁾

- (1) J.M. & Co., Box Yokohama 1859, W. Keswick to J. Whittall, 16 November 1859.
- (2) J.M. & Co., Box Yokohama 1859, W. Keswick to J. Whittall, 25 November 1859.
- (3) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 17, Yedo, 18 November 1859 and No. 18, 20 November 1859.

After frustrating months of restriction, expectations had soared in the flush of the short-lived boom, and foreign merchants had shipped their first satisfactory cargoes from Japan. Jardines freighted a barque on November 16th with seaweed, silk, copper, lumber, dried oysters, sharks fins, sea slugs, abalone, lacquer ware, porcelain , and gold coins. In contrast to their four previous shipments from Yokohama, none of which had cost more than \$25,000, this shipment had cost \$114,416. The Shanghai office was well pleased⁽¹⁾ and decided that since Yokohama was finally showing signs of importance, Keswick⁽²⁾ should stay on there. "A great deal of money may be invested in the Japanese markets," they wrote, "and this trade is yet in its infancy."⁽³⁾ In consequence of this optimism, more than \$200,000 was sent to their Yokohama agency, and of this \$150,000 was still on their hands in the following February.

It was true that a good deal of money could be invested in the Japanese market, but whether it would be or not depended upon the policy of the Japanese Government.

- (1) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 30 November 1859.
- (2) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 28 November 1859.
- (3) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 30 November 1859.

Although short, the boom had its moments. Gold shipments, which had been between \$2,000 and \$4,000 worth from the beginning of September, suddenly jumped to \$70,000 on October 24th. This was the largest single shipment recorded from Japan, It went by Jardines' steamer "Carthage" and was mostly on account of Dutch merchants who had received lump sum payments in silver⁽¹⁾ from the Japanese Treasury to settle old balances. This was the largest known shipment of gold coins from Japan and it was financed with monies paid out by the Japanese Customs House. Hence it is difficult to believe that the Japanese Government was duped by the wicked foreigners into the loss of its gold supply, as was⁽²⁾ accepted by some western diplomats. It is worth noting that the Treasury did not settle its balance in gold coin, although for such large sums it would have been more convenient to do so. Instead, it gave silver, which the Dutchmen exchanged into gold with Japanese merchants at Yokohama. This is some evidence for the theory that gold coins were kept in private hoards rather than in general business use.

This "Carthage" shipment was typical neither in size

- (1) J.M. & Co., Box Nagasaki 1859, K. Mackenzie to J. Whittall, 31 October 1859.
- (2) Parl. Papers 1867, Vol. LXIX, (Cd. 3869) Report on the Currency of Japan, pp. 617-640.

nor in content of those made by merchants resident at Yokohama. In November there followed a second large shipment of gold, this one costing \$22,000. In December, a third and final shipment, costing \$34,000, left Japan. These three shipments made up the bulk of the gold rush of 1859, and each of them is mentioned several times in commercial records. There are no other shipments larger than \$11,000 and it is doubtful if any significant shipment would have been missed "since the main duty of an agent was to maintain a frequent and accurate correspondence."⁽¹⁾ Those who neglected to do so were reprimanded⁽²⁾ by the next mail.

In the case of the gold shipments, four Jardines' agents had an interest; those at Yokohama, Nagasaki, Shanghai, and Hong Kong. It is thus exceedingly unlikely that they would all have allowed a large shipment to go unrecorded. It is, however, almost equally certain that a few small shipments by competitors were missed. That there were many, or that in their sum total they matched or exceeded the large shipments, is doubtful for several reasons.

- (1) M. Greenberg, British Trade and the Opening of China, Cambridge, 1951, p. 150.
- (2) J.M. & Co., Box Shanghai 1859, J. Whittall to W. Keswick, 22 October 1859; and J. Whittall to J.M. & Co., Hong Kong, Shanghai, 19 December 1860.

Alcock records that in the autumn of 1859 there were only twenty foreign merchants at Yokohama, and of these not more than half a dozen would have been in a position to invest large sums. In addition to the very limited number of merchants able to take part in the gold export, there were very few ships calling at Yokohama. The agents of a large firm such as Jardines were not only under the obligation to report large shipments by competitors, but they would own, charter, insure or ship freight on a large percentage of the ships that used the port, and these would, of necessity, enter the Company's records.

In January and February gold shipments were reduced to the dribblets of the preceding summer; in March the Japanese Government began buying up its old gold coins from domestic hoarders, and in May they issued a new coin equal to the world exchange ratio. Had they done this a year earlier, instead of continuing in their efforts to depreciate foreign silver, there would have been little or no gold exported in 1859.⁽¹⁾

The gold export narrows down to three large shipments which were saleable at roughly \$200,000. Including all the known and probable small shipments made between

(1) G.A. Lensen, Russian Push Towards Japan, p. 389.

September 1859 and March 1860, a figure of a total export of \$300,000 would probably be an overestimate. Perhaps 100,000 gold pieces were exported. Estimates of one million gold pieces salable for three and a half or four million dollars made a good story, but were hardly borne out by the ledger books written for the monthly accounting rather than for telling over the club bar.⁽¹⁾

A total of three or four million dollars worth of gold being exported would depend upon all the funds sent to Japan being invested in gold and upon the official rate being in force. Neither of these conditions applied; whereas estimates of exports of forty million to one hundred million dollars are flights of the purest fancy.⁽²⁾

That everyone was seized with a gold fever and thought of nothing else to the detriment of a legitimate trade in silk and tea,⁽³⁾ is belied by the commercial records which show that at the height of the gold ship-

for comment see:

- (1) T. Tsuchiya, "An Economic History of Japan", Transactions of the Asiatic Society of Japan, Vol. XV, (2nd series) Tokyo, 1937, p. 245-6.
H. Borton, Japan's Modern Century, p. 60.
C. Yanaga, Japan Since Perry, New York, 1949, p. 33.
G.A. Lensen, Russian Push Towards Japan, p. 359.
G. Sansom, Western World and Japan, New York, 1950, p. 297.
- (2) Anonymous author, "Japan", Blackwood's Magazine, Vol. CXII, No. DCLXXXIII, September 1872, p. 385.
S. Endo, "Bakumatsu ni okeru kinka Ryushutsu", Shigaku Zasshi, Vol. XLII, No. 6-7, 1931, p. 639.
- (3) G.A. Lensen, Russian Push Towards Japan, p. 421.

ments, Jardines freighted a ship with \$77,000 worth of silk, \$25,000 worth of fish oil and \$22,000 worth of gold.⁽¹⁾ And yet this gold export has been described by writers as "a scandalous speculation leaving many blots on the foreign name,"⁽²⁾ as doing "infinite harm,"⁽³⁾ "being no more fair than buying pound notes for the price of their paper content,"⁽⁴⁾ and as an example of "bad faith" by the foreigners to gain "illicit profits."⁽⁵⁾

The British Minister in Japan referred to the "unscrupulous character and dealings" of his country's merchants who, "utterly reckless of the future; intent only on profiting by the present moment to the utmost (were) wholly engaged just now in shipping off all the gold currency of Japan."⁽⁶⁾ Another British writer asserted that this gold export created "an amount of indignation and bitterness on the part of the Japanese^{such} as it will take years to allay,"⁽⁷⁾ while a Dutch contemporary wrote that

- (1) J.M. & Co., Account Book, "Shipments to and from Japan, 1859-60".
- (2) E. Griffen, Clippers and Consuls, pp. 218-221.
- (3) M. Paske-Smith, Western Barbarians, p. 211.
- (4) R. Lindau, "Les Europeens au Japon," p. 766.
- (5) A. Jacobs, "Japon Depuis l'Ouverture de ses Ports," Revue des Deux Mondes, Vol. 33, 15 May 1861, p. 377.
- (6) Japan Corres., F.O.262, Vol. 460, Alcock to Foreign Office, Yedo, 10 November 1859.
- (7) J. Black, Young Japan, Vol. 1, p. 35.

everyone was so dominated by the lust for gold that he
 (1)
 thought of no other business.

A British army officer justified Japanese treaty violations by writing, "Did we teach them truthfulness or honesty when we bought their gold weight-for-weight with silver and drained their treasury under false representations?"⁽²⁾ Later western and Japanese writers have perforce accepted this story for want of any other
 (3)
 evidence. Some have suggested that this export of gold coin was a factor in a general inflation of prices in the
 (4)
 1860's. This was a popular theory and one samurai gives it among his reasons when confessing the murder of two
 (5)
 British army officers.

In 1857, Harris had gone to considerable trouble to ascertain the amount and value of Japan's gold supply. He had found it in such common use that it was seen everywhere as hair ornaments, saddle decorations, basket
 (6)
 handles and the like. Gold, in contrast to silver, was

- (1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, p. 69.
- (2) E.B. de Fonblanque, Nippon and Pe-chi-li, London, 1862, p. 70.
- (3) K. Ikebe, "The Outflow of Gold into Foreign Countries", Far East, Vol. 1, No. 8, September 1896, Tokyo, pp.14-20.
- (4) K. Yamaguchi, Bakumatsu Boekishi, p. 231.
- (5) M. Paske-Smith, Western Barbarians, p. 376.
- (6) Harris, Complete Journal, pp. 361-362.

apparently in such abundant supply that the surplus, over what was needed for coinage, could be used widely (1) for comparatively cheap and trivial ornamentation.

It was not in the position of silver from whose scarcity (2) value the Government profited and, hence, stood to lose a traditional revenue should large sums of foreign silver be suddenly injected into the domestic Japanese economy. Gold seems to have been a mineral in surplus supply for Japanese needs and yet in demand by the foreigners. As (3) such it provided a useful export for the foreigners at a time when the Japanese produce dealers at Yokohama had only enough money to finance small shipments into the port, and the Government was at times severely (4) limiting these.

Japan cannot be said to have been drained of a vital mineral resource on this evidence. A negative proof of the same point is that Japanese Treasury officials priced China gold in 1860 but were not interested enough

- (1) Morrow, A Scientist with Perry, pp. 180-181, reports the Japanese eager to get silver but uninterested in gold, which was used abundantly for trinkets.
- (2) J.W. Hall, Tanuma Okitsugu, p. 70
- (3) M. Paske-Smith, Western Barbarians, p. 212.
- (4) Archives, Corres. Commerciale, de Bellecourt to Ministry, No. 18, Yedo, 20 November 1859.

to import any quantity.⁽¹⁾ It is not until the late summer of 1863 that gold is reported as being in short supply in Japan, or that Japanese officials and merchants are interested in purchasing it.⁽²⁾ These enquiries coincide roughly with an outbreak of fighting between the Choshu fief and various clans supporting the Shogunate, as well as the attack of a British fleet against the Satsuma clan.

With both civil and foreign war threatening, the Japanese Government and princes would be naturally stockpiling gold as a convenient means of paying troops in the field, hiring porters, and purchasing materiel. This seems to be borne out by the demand for imported gold which lags over the winter of 1863/64 and picks up strongly in the late summer and autumn of 1864 when fighting breaks out once more.⁽³⁾

If the estimated figure of \$300,000 worth of Japanese gold coin exported in 1859 is correct - and some of this came back in 1860 when the Japanese Treasury raised the price it would pay for the coins⁽⁴⁾ - then Japan was not

- (1) J.M. & Co., Box Nagasaki 1860, K. Mackenzie to J. Whittall, 3 May 1860.
- (2) J.M. & Co., Box Yokohama 1863, S. Gower to W. Keswick, letters of 15th and 26th August and 25th September 1863.
- (3) For a similar situation in the 16th century, see C.R. Boxer, The Christian Century in Japan, Berkeley, 1951, p. 112.
- (4) S.W. Williams, Chinese Commercial Guide, 5th edn., p.258.

drained of its gold supply, or at least not for long, for between August 1863 and the end of 1865 Jardines alone sold more than \$370,000 worth of Peking gold bars in Japan and refused an order for an additional \$174,000 worth.⁽¹⁾ They also reported that a much larger import of gold was being carried on at Yokohama by Kemptner & Co.,⁽²⁾ Walsh, Hall & Co., and some of the banks. Chinese bankers at Nagasaki were also importing and selling gold bars to the Treasury officials there in lots of up to 1,000 bars.⁽³⁾ A British diplomat reported that in 1866, gold coins were seldom seen because the Government coined very few, but there may have been an additional reason⁽⁴⁾ for their scarcity in public use.

- (1) J.M. & Co., Boxes Yokohama 1863-4-5 and Boxes Nagasaki 1864-5.
 S. Gower to J.M. & Co., 12 January 1864.
 T.B. Glover to J.M. & Co., Nagasaki, 5 October 1864.
 S. Gower to J.M. & Co., 12 December 1864.
 S. Gower to J.M. & Co., 10 January 1865.
 T.B. Glover to J.M. & Co., 12 January 1865.
 S. Gower to E. Whittall, 31 December 1864, refers to cancellation of gold contracts. Recorded sales which may refer to two transactions, but which do not do so clearly, have been treated as one transaction. Sales in which the unit cost, but not quantity, of gold bars sold is given, e.g. S. Gower to J.M. & Co., 31 August 1863, have also been omitted.
- (2) J.M. & Co., Box Yokohama 1864,
 S. Gower to J.M. & Co., 31 October 1864,
 S. Gower to W. Keswick, 16 November 1864.
- (3) J.M. & Co., Box Nagasaki 1865, J.B. Glover to W. Keswick, 13 April 1865.
- (4) Parl. Papers 1867, Vol. LXIX, (Cd. 3869) Report on the Currency of Japan, p. 631.

In time of trouble gold, being more valuable by weight, was easier to hoard than silver, so that while the Japanese Government was willing to put down a deposit of \$20,000 worth of gold coins upon the purchase of a British steamer, it replaced them with silver as soon as possible.⁽¹⁾ A hoard of 10,000 gold coins was also reported⁽²⁾ as being found in a Yedo residence of the Choshu fief.

Although very little is known about the actual market values of the various coinages in Japan as opposed to their official face values,⁽³⁾ it is difficult to believe that the comparatively small export of gold coins in 1859 caused much internal derangement, while it is certain that by the end of 1865 a far larger amount in Pekin gold bars had been imported into the country. After six years of foreign trade, Japan had imported more foreign gold and silver than she had exported. The inflationary effect of these imported supplies of gold and silver⁽⁴⁾ as well as the uses to which they were put may be questioned, but it cannot be claimed that Japan was despoiled of her mineral wealth by foreign trade.

(1) J.M. & Co., Box Nagasaki 1864, T.B. Glover to W. Keswick, 26 October 1864.

(2) J.M. & Co., Box Yokohama 1864, S. Gower to J. Whittall, 12 September 1864..

(3) J.W. Hall, Tanuma Okitsugu, pp. 68-71.

(4) ibid., p. 74 refers to an earlier import of foreign silver as stimulating the economy by increasing the volume of coinage.

Chapter Four

DIFFERENCES BETWEEN MINISTER AND MERCHANT

The disparity between the small gold export recorded in the ledger books, as against the large speculation reported in published works, is puzzling, while the gold imports of 1863 onwards seem to have escaped the notice of most contemporary writers. The best explanation seems to lie in the characters of the writers themselves, and it is worth examining as these writings created a false impression in Britain as to the true nature of the early Japan trade. This in turn influenced British Government action in support of that trade.

Six of these authors were contemporaries. Of these, Tilley discounts the story and Fonblanque arrived in January, after the main gold export was over. As an army officer, the latter lived in the British Legation at Edo and hence was not likely to have had much direct contact with the merchants at Yokohama. Lindau was a Swiss silk dealer who visited Japan during the gold export, but as his country had not yet completed a treaty with Japan he could neither live nor trade there, and resided at Shanghai. Pompe van Meerdervoort was a Dutch physician training Japanese medical students at Nagasaki where there was no large gold trade. He also recalls that although

the merchants used to love hinting at large profits, they seldom named actual sums. The most reliable of all should have been Joseph Heco, a Japanese who had been shipwrecked, rescued and taken to the United States where he became a citizen. In contrast to the others, he was an actual trader at Yokohama during the gold export. His account tallies with Jardines' records that the gold export was only important for about six weeks in the autumn and that it returned profits of about 50%. His diary was not, however, published until 1899 when it was brought out at Yokohama, so that for almost forty years the major version before the British public was that written by Alcock, both in his despatches of November 1859, which were published in Parliamentary Papers, and in his book, The Capital of the Tycoon, which was published in London in January 1863. Because of his official position and his skill as a writer, his book became an authoritative work on Japan, quickly gaining a wide popular sale owing both to the novelty of the country and to the attraction that descriptions of mixed bathing, geisha houses, and assassinations held for a Victorian reading public. It was cited in Parliamentary debate, re-issued in the 1890's and seems to have dominated the field until Murdoch's History of Japan appeared after the turn of

the century.

The book deserved its popularity. Alcock had a keen eye for detail and a penetrating insight into social and political questions, while his reading and travels allowed him to make extensive comparative judgments. The work was illustrated by Alcock's own sketches as well as those of Charles Wirgman, the Japan correspondent for the Illustrated London News. It is still a useful book and many of its comments based upon a three years' residence in a country whose language he could not read or write, and in which he was allowed to make only one long overland trip outside of the treaty ports, are surprisingly accurate.

There is, however, at least one issue upon which his judgement is open to question, and that is upon the conduct of foreign merchants in Japan during the first three years of trade. As Alcock's opinion was generally accepted in Britain, it affected the British merchants in Japan when they attempted to petition their Government against Japanese trade restriction. The timing and circumstances in which Alcock reported upon the gold export are, therefore, interesting.

Alcock's complaint against the merchants for exporting gold coins arose not so much from this activity

as such, but from difficulties which had arisen between the merchants and the Custom House officers over the exchange. In this matter Alcock sided with the Japanese officials against his countrymen, apparently because he feared that such quarrels would bring about assassinations of foreigners. Isolated at Edo, he and his small staff would be among the prime targets. In this he was perfectly correct, as Japanese samurai assassins felt it beneath their dignity to kill merchants or their servants except to revenge some personal slight. The bulk of the seemingly political assassinations were of uniformed men, apparently on the assumption that foreign nations were also ruled by a warrior caste and that these men were, therefore, opponents worthy of being killed. The Japanese samurai could not distinguish between uniforms so that two Dutch merchant ship captains buying toys to take home to their children were among the early victims. As the diplomats of that period often wore uniforms and carried side-arms, they were indeed in a dangerous position.

The troubles arose because the supply of ichibus exchanged daily for dollars was at not time sufficient "to carry on the most restricted business," a Yokohama merchant⁽¹⁾ had written. In addition it was distributed

(1) A. Michie, Englishman in China, Vol. 2, p. 21.

"so entirely without system or impartiality that injury has been inflicted on individual merchants without reason or justification," wrote Alcock in a futile complaint to the Government.⁽¹⁾ The precious coins, without which the funds sent over from China remained useless, were handed out on an individual basis. The agent of a large trading company with several thousand Mexican dollars to exchange, was given exactly as much as a ship's officer, a journalist or the settlement's French baker. In common with the foreign diplomats, all these latter gentlemen could do a good business obtaining unneeded exchange and re-selling it to the merchants at a profit.

It was then discovered that by submitting a chit, exchange could be drawn in the names of individuals not actually present. As with a later Japanese police regulation that foreign customers at houses of prostitution must leave their names and addresses, this led to much invention. Chits were submitted requesting exchange for Messrs. Aaron, Moses and Noah. Early biblical leanings were quickly cast aside by some in favour of No-Nose,⁽²⁾ Grindem, Stickitup and even less savoury allusions.

(1) Japan Corres., F.O.262, Vol. 460, Alcock to Ministers of Foreign Affairs, Yedo, 10 December 1859.

(2) Japan Corres., F.O.46, Vol. 3, Alcock to Russell, Yedo, 23 November 1859.

A further, and even more important, discovery as to the workings of Japanese bureaucracy was that the exchange was granted in proportion to the amount requested. If one asked exchange of \$100, one might get \$3; a request of \$500 might bring exchange for \$12, and so on. This was quickly taken to its logical conclusion by the foreign merchants, and the sums demanded by Mr. Bones, Jack Ketch and Lucky Cove soared quickly into figures more common to astronomy texts than to commercial banking. "Le plus fin de la societe ne s'arreta pas aux bagatelles,"⁽¹⁾ and this gentleman gravely asked the Treasury clerk to furnish him with exchange for twenty millions of dollars. The clerk manipulated his abacus; the pikers who had merely asked exchange for a hundred or so got their paltry sums, while the gentleman who thought in millions walked off with the bulk of the day's exchange. This occasioned a good deal of laughter that night over the club bar and on the morrow there was no lack of imitators. Becoming bewildered as the sums demanded reached the trillions, the Japanese closed the exchange entirely and Consul Vyse sent Alcock a despatch blaming this upon the misconduct of the foreign merchants.

(1) R. Lindau, "Les Europeens au Japon", p. 767.

The merchants' laughter had not reached the British Legation at Edo where Alcock was beset by many troubles. The first week of November had been a difficult one. After he had struggled all summer to get some exchange provided and trade started, the Government had reverted again to restriction after only a six-week interval. In addition to the commercial troubles at Yokohama, the general position of the foreigners in Japan was apparently becoming highly perilous. At the beginning of September two Russian sailors had been murdered at Yokohama. On November 6th a Chinese, a British national from Hong Kong, was cut down and killed outside Jardines' doorway at Yokohama. A lantern had been thrust into his face to blind him whilst he was run through from behind.

Consul Vyse reacted quickly to this murder, notifying all British subjects to go about "always armed as much as possible for their own personal safety."⁽¹⁾ Alcock ordered him to rescind this notice the following day, writing that "the Japanese are remarkable for their patience under foreign provocation."⁽²⁾ Japanese commoners were; Japanese samurai were not, so that a few days later he had occasion to review this opinion. Returning from

(1) Japan Corres., F.O.262, Vol. 460, Vyse to Alcock, Kanazawa, 6 November 1869, enclosure in Alcock to Russell, Yedo, 10 November 1859.

(2) ibid., Alcock to Vyse, Yedo, 7 November 1859.

an evening ride on the Tokaido, he began to be jostled and annoyed by groups of drunken samurai as he approached the gate of his Legation, until one "more intoxicated or insolent than the rest, pushed against both horse and rider, and was put aside by one of the grooms," wrote Alcock, "upon which he instantly put his hand to his sword, and fearing a defenceless servant might be cut down by this drunken bravo, I wheeled my horse round to protect him if necessary by interposing myself. But I was unarmed with only a riding whip in my hand, and ... it is doubtful what might have been the issue; but my servant who was on horseback had a pistol, and hearing the officer vow immediate vengeance presented it, declaring he would shoot him if he drew his sword. But for this, both groom and myself might have very probably been wounded, if not murdered, by this ruffian, maddened with drink and armed to the teeth."⁽¹⁾

It was on the following day that he wrote his despatch to London criticizing the samurai, "these armed retainers, drunken, dissolute and quarrelsome," the failure of the Japanese Government to extend the protection of its very efficient police force to foreign diplomats, the failure of the Royal Navy to send a warship, the

(1) Japan Corres., F.O.262, Vol. 460, Alcock to Ministers of Foreign Affairs, Yedo, 9 November 1859.

"irregularities, the violence and the disorders, with the continual scenes of drunkenness incident to a seaport," and finally the conduct of the merchants in using false names and demanding exorbitant sums in order to obtain exchange so that they could continue "shipping of all the gold currency of Japan."⁽¹⁾

Because gold is always interesting, and because he asked the Foreign Office to contact the Board of Trade with a view to censuring the British merchants in Japan through their home connections, it was this final complaint which got the most public attention. With it, at least, Alcock was eminently successful, the action being debated in Parliament, published in Parliamentary Papers and the "rowdy" merchants being, to Alcock's undisguised satisfaction, rebuked by various Chambers of Commerce and firms in Britain.⁽²⁾

He also carried the attack to China, asking the British Minister there to contact the merchant houses with the same end in mind. This was not so successful as the China houses had a far better idea than their associates in London of what was going on in Japan. Jardines' Shanghai office wrote to their Hong Kong

(1) Japan Corres., F.O.262, Vol. 460, Alcock to Russell, Yedo, 10 November 1859.

(2) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Yedo, 5 May 1860.

headquarters that Alcock had been hasty and they did not think that their agent had been in the wrong.⁽¹⁾ They asked him to write an apology to Consul Vyse, however, which he did.

Alcock had let his pen run away with him even describing the British merchants of Yokohama as the scum of the earth whose equivalents could only be found in the gold diggings of California and Australia. The China Coast newspapers reacted by pointing out that it was sailors who caused the only trouble at Yokohama,⁽²⁾ frequently renting horses and galloping drunkenly down the streets of Yokohama to the death and injury of several Japanese. "The Japan Punch," a periodical sporadically published at Yokohama, and bearing the vaguest resemblance to its London namesake, reported the case of the Royal Navy sailor up before a consular court on the charge of drunkenness. His plea had been that to get drunk was the reason he had been given shore leave and, in the best tradition of the service, he had complied. This was the simple truth, as sailing, particularly in the navy, was a hard life, and ships' commanders probably preferred their men to expend their

(1) J.M. & Co., Box Shanghai 1859, J. Whittall to J. Jardine, 6 December 1859.

(2) Archives, Corres. Commerciale, Vol. 1, p. 69, A Summary of China Coast Press comment on this matter.

energies in an occasional orgy on shore than to cause disciplinary problems at sea.

In view of Alcock's own remarks on drunken
 (1) samurai and the common Japanese saying that, "All
 Yedo gets drunk after sunset," (2) it is difficult to
 believe that these incidents were either a novelty or
 a nuisance to the Japanese authorities. Their police
 were adept at safely grounding drunken sword-waving
 samurai using long fire hooks. The foreign constable
 also seems to have done an efficient job, and in his
 absence the Japanese police were quick enough to arrest
 foreigners when they wished to do so.

The merchants were stupified by this sudden attack.
 So much fuss over a little fun? So much tender respect
 for a nation of semi-savages whose Government violated
 the treaty and overlooked if it did not, as they thought,
 encourage the murder of foreigners? The merchants' club,
 the only social centre the foreigners had in Japan,
 promptly denied entrance to all British diplomats and
 maintained that attitude until Alcock left several years
 (3) later.

(1) R. Alcock, Capital of the Tycoon, Vol. 1, pp. 119,
 126.

(2) R. Fortune, Yedo and Peking, p. 118.

(3) E. Satow, Diplomat in Japan, p. 27.

Alcock must have realised by December that he had been duped on the exchange question, for the Japanese Government continued to open and close the exchange at will, regardless of good or bad conduct by the foreign merchants, and only once more during that first year of 1859/60 did it provide a sufficient supply for any sizable produce shipments. That was in February when it needed dollars to send along with its large embassy to the United States. Not only was the quantity of goods entering Yokohama restricted, but their price was raised by the Government.⁽¹⁾ The Government itself did not apparently consider the use of false names, or the demanding of large sums, of any importance, for the excuse it gave for re-imposing restriction was that the Shogun's palace had burned and that the cost of rebuilding would leave no money for the foreigners.⁽²⁾

Although it was glad enough to take in the foreign dollars and re-mint them into ichibus to increase its own Treasury, the Government did not wish to give them away again as exchange,⁽³⁾ even though silk and tea purchases far exceeded the Japanese demand for foreign imports and

(1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 16, Yedo, 18 November 1859.

(2) ibid.

(3) ibid.

left a large balance of trade in their favour. Apparently the Government had been frightened by the sudden boom in trade. Unacquainted with the monetary resources of the agency house system, the twenty foreign merchants at Yokohama cannot have looked very impressive, and to see them supplied with at least a million dollars for trade in a few weeks must have come as a rude shock. But by November, the Russian menace was over; their fleet had gone, and trade restriction could safely be imposed once more.

Alcock seems to have realized his own error, although he never retracted it. In his book published three years later, he still maintains in one statement⁽¹⁾ that the merchants had ignored everything for gold and in two others that they were low types,⁽²⁾ but he also points out that regardless of their moral character the mere presence of the foreign merchant was a threat to the existing social system.⁽³⁾ As against these strictures he makes a dozen comments upon the Japanese Government's⁽⁴⁾ policy of restricting trade.

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 283.

(2) ibid., Vol. 2, p. 27 and pp. 360-361.

(3) ibid., Vol. 2, pp. 364-365.

(4) ibid., Vol. 1, pages 139, 287, 300, 368, 375, 417-18, Vol. 2, pages 351, 362, 389, 407-9, 449-50.

Although some Japanese princes were willing to profit from the gold export, there were also those willing to use it for anti-foreign propaganda, and Alcock seems inadvertently to have fallen in with these, for the open split he created between minister and merchant cannot have benefited anyone but the Japanese. Some evidence of this is that the French Consul-General, whose country supported Britain in Japan more fully than any other nation,⁽¹⁾ bridled at Alcock's attack on the merchants as playing the Japanese game and risked the displeasure of his superiors by gathering up comment from the China Coast papers for an article in a Paris journal. In it he points out that drunken sailors, not merchants, caused the only trouble; that the Japanese had created the use of false names and the demanding of exorbitant sums by their own unfair system of exchange; and that under cover of lofty talk about preventing disorders and the long term good of commerce, Alcock had⁽²⁾ allowed the Japanese to put a complete stop to trade.

A Yokohama merchant ^{noted} ~~added~~ that the merchants were working towards a practical bettering of things, whereas

(1) A. Michie, Englishman in China, Vol. 2, p. 106.

(2) Archives, Corres. Commerciale, Vol. 1, p. 69, clipping from La Patrie of 19 February 1860.

the idealistic ends of the diplomat were often un-
(1)
realizable.

On those occasions when it was re-opened, the exchange reverted to what it had been before, a question of simple bribery. Those making the most generous presents got all the exchange; the others got little or none.
(2) In view of the deliberately restrictive policy of the Japanese Government, and the unfair system under which the little available exchange was distributed, the merchants cannot be blamed for attempting to obtain the Japanese silver coin without which they could not trade. The diplomats having failed, the merchants were forced either to get on by their own efforts, or give up trading altogether. If they chose to derive a little fun from the situation this misbehaviour was not, after all, that serious in itself. Alcock took it seriously because it was part of a general situation which affected him personally. His life had been threatened.

The picture of Alcock that emerges from all this is that of a frightened and isolated man, living under great nervous strain. Harris referred to Alcock as a highly nervous man who did not get on with the

(1) A. Michie, Englishman in China, Vol. 1, pp. 249-251, and pp. 262-263.

(2) R. Lindau, "Les Europeens au Japon", p. 768.

(1)
Japanese. By nature he was reserved and of literary tastes and did not mix with the younger men of his staff or the merchant community. After the death of his wife in 1853, he had increasingly turned inwards upon himself, devoting most of his free time to writing and at Yedo there was little official work to distract him from it. (2)
One cannot imagine him sitting about of an evening, singing snatches of opera with junior members of his staff, as did his successor. Strangers often thought his austerity to be snobbery, but his subordinates thought him a kindly man who could not unbend easily. He can have derived little comfort from the younger men with him at the Edo Legation, and less from the merchants at Yokohama who were also young men in their twenties and thirties. Alcock was fifty in 1859 and had been most unhappy at his appointment to serve in Japan.

In contrast to Alcock who devoted his spare time to writing moralizing descriptions of his travels, the merchants' free time was taken up with hunting, boating, cocktails, billiards and the racecourse they hoped to build. It was still a bachelor community and Sir Ernest Satow remembered that everyone was young in those days.

(1) Janvier Letters, New York Public Library, Harris to Miss Catherine Drinker, Yedo, 16 September 1861.

(2) A. Michie, Englishman in China, Vol. 1, p. 158.

They referred to Alcock as the Philosopher of Bedo (Yedo) which is, perhaps, a fairer jibe than his reference to them as goldfield scum. A junior member of the Legation staff admitted that there were some traders in Japan eager to get rich quick without too many scruples as to how they did it, and others who did not comport themselves in the same manner as theological students. He did not feel that they were any worse than any similar group overseas, and certainly no worse than the merchants in China with whom Alcock had previously served.⁽¹⁾

Like the pioneers of agriculture, the pioneers of commerce were not always cultured or refined men, but in matters of commercial honesty they were much better than their Japanese opposite numbers.⁽²⁾ Their early efforts at establishing churches, hospitals, fire and police services; the collection of funds for Japanese injured by westerners, and their futile petitions to the Japanese Government to prevent the execution of Japanese commoners whom they considered had been goaded beyond endurance into killing foreign sailors, would indicate a stronger community spirit than that found in

(1) E. Satow, Diplomat in Japan, p.25.

(2) R. Alcock, Capital of the Tycoon, Vol. 2, p. 244.

many more settled communities.

What little fraud there was, was confined to those individuals with insufficient capital⁽¹⁾ whose businesses were created and killed at the whim of their originators; the one or two man firms, the "I have this day established myselfers" who advertised each week in the Yokohama papers. These men came under the power of each British Consul to fine, imprison or deport any British subject whose conduct he felt a menace to Anglo-Japanese relations. By contrast, the men whom Alcock had singled out to attack over the exchange issue were not the small individual traders but the men who needed the exchange most badly, the agents of the large established China Coast houses, and the men least deserving of his epithets.⁽²⁾ They could not have engaged in fraud or in fly-by-night speculative ventures, from the very nature of their business, which depended heavily upon a good credit reputation and made its profits over the long term of years. The men who began as clerks, if successful, would not really profit from their firm until the last five or ten years of twenty-five or thirty years of

(1) E. Satow, Diplomat in Japan, p. 25.

(2) Lord Redesdale, A Tragedy in Stone, London, 1912, p. 173.
J. Black, Young Japan, Vol. 1, p. 181.
M. Paske-Smith, Western Barbarians, p. 267.

business life in Asia, so that Alcock's description of them as men with only "temporary interests"⁽¹⁾ was unfair. The Yokohama merchants whom Alcock described as goldfield scum were, in fact, mostly the same men whom he found perfectly reasonable citizens in China.

Almost the same situation had arisen at Shanghai where "a certain distance or aloofness between Consul Alcock and the community of his nationals was remarked upon, due to difference of age, taste, culture and temperament. This characteristic was rather accentuated than otherwise by the local circumstances in Japan. The Minister was ten years older"⁽²⁾

The squabble between Alcock and the Yokohama merchants was only a part of a general picture in which foreign merchants, whose trade suffered at the hands of Chinese or Japanese officials, would blame their diplomats for not giving them protection, to which the diplomats would retort that it was the misconduct of the merchants themselves which had caused the trouble.⁽³⁾ Neither side fully understood the other's position. The merchants did not understand the difficulties their diplomats had in holding the Chinese and Japanese authorities to the trade

(1) R. Alcock, Capital of the Tycoon, Vol. 2, p. 451.

(2) A. Michie, Englishman in China, Vol. 2, p. 121.

(3) ibid., Vol. 1, p. 254.

treaties, whereas the diplomats often blamed the misconduct of individual merchants as the cause of diplomatic tangles, when these were often the result of a general policy of trade obstruction by local officials.

Diplomatic complaints against the merchants generally came under two headings, both of which Alcock had used in China and both of which he reiterated at the time of the gold export in Japan. These were first that merchants, in their interest for a quick profit, were endangering the chances of creating a large trade in the future, and secondly that they were not interested in the sale of British imports, principally textiles, but only in Asian produce and currency speculation.

Even today, writers sometimes blame the merchant for thinking only of profit,⁽¹⁾ which is unfair as profit is a merchant's business; it was why he was in China or Japan and Britain's major interest in those two countries was commercial. Alcock was a man of high moral principle, and throughout his writings runs the theme that the westerners in Asia should set a good example for the natives.⁽²⁾ Although the merchant community did generally set a good example in matters of business honesty

(1) Sir George Sansom, Western World and Japan, p. 313.

(2) A. Michie, Englishman in China, Vol. 2, p. 126.

and community efforts in charitable causes, to ask them to give up their profits in the hope of making life simpler for the diplomat, was unfair. They were, after all, merchants and not missionaries of western civilization. The diplomat was in China to help the trader, not the reverse. British interests were purely commercial and diplomats like Alcock were, in effect, commercial agents.⁽¹⁾ This must often have galled for it would only have been human to envy their colleagues in countries where Britain had important political concerns and the diplomat could tackle problems more interesting than the import duty on cotton shirtings.

To blame the merchant for trying to trade, in this case to obtain exchange, because it made difficulties for the diplomat was, as a Yokohama editor wrote,⁽²⁾ absurd. To write, as Alcock did,⁽³⁾ of the Japan merchants that they were narrow and selfish opportunists, intent on getting rich quickly at the expense of the long term trade and political relations between the West and Japan, was nonsense. The merchant was on the China Coast to make profits and retire home as quickly as possible. He was, in short, a merchant not a statesman, and the sum total

(1) A. Michie, Englishman in China, Vol. 1, pp. 248-270.

(2) J. Black, Young Japan, Vol. 1, p. 36.

(3) R. Alcock, Capital of the Tycoon, Vol. 2, p. 430.

of all his efforts, whether in silk, tea, textiles, coinage speculation, insurance, banking or shipping, was Britain's trade and, as Alcock wrote, "Trade is to our national life what air is to the physical...a thing we cannot (1) dispense with...and must even fight for."

The second line of attack against the merchant was that he dealt mainly in local produce to the detriment of British textiles. Alcock had put this to the Treasury in London on his first home leave in 1862, and wrote in his book that Britain's interest was not a carrying trade, but the direct exchange of Japanese (2) products for British textiles. This again was a misconception for, as Michie wrote and Michie was not only Alcock's very complimentary biographer but also a China Coast merchant who had sometimes opposed Alcock, the merchant was not a paid employee of a Manchester textile firm. He could, and did, sell British textiles whenever possible, and also went to considerable trouble informing home manufacturers as to local tastes in colour, etc. but he could not be expected to neglect a profitable local (3) business to concentrate upon the sale of shirtings.

This sort of research would have to be done by salaried

(1) ibid., pp. 371

(2) ibid., Vol. 1, p. 40.

(3) A. Michie, Englishman in China, Vol. 1, p. 252.

representatives of the industries concerned, and in time this is what happened in both China and Japan.

It was common enough to underrate the importance of a carrying trade at this time when economic statistics were in their infancy, and Alcock was not alone in failing to realize the importance that services, above all shipping, played in righting Britain's ordinarily unfavourable trade balance.⁽¹⁾ Yet he could not have been so completely ignorant of the importance of a carrying trade, for every trade report carried the number of British ships which had found employment at each port, and Alcock had been making these out for years.

Alcock's censoring of the Yokohama merchants had effects both in Britain and in Japan. By labelling them as speculators he emasculated their later petitions to the home Government protesting against Japanese trade restriction. Indeed, when they formed a Chamber of Commerce some years later, a principal argument was that it would allow them to put their position effectively before the British Government and public. "It is unfortunately too true that this community has, occasionally, when making such communications, suffered from delay and

(1) See A.H. Imlah, "The Balance of Payments and Export of Capital of the United Kingdom 1816-1913", Economic History Review, Second Series, Vol. V, 1953, pp. 208-239.

occasionally, too, have been, to use a rather vulgar
but expressive term, snubbed.⁽¹⁾

In Japan they ~~also felt~~ they were being snubbed.
A Briton, friendly to Alcock, wrote that Britain's
diplomats went out of their way to maintain class distinc-
tions in a manner which would not only be incredible at
home, but bring them into public ridicule. "But things
are done in a different way in Japan," he wrote.⁽²⁾ When
in 1861, Alcock sent a British merchant to Hong Kong
for trial, the Crown Attorney General wished to transfer
the case to England for, having talked with the merchants
who would make up the jury, he had no doubt that they
would treat the matter "as a question of class superiority"
between diplomats and merchants.⁽³⁾

There may also have been an element of honest
ignorance in Alcock's writings, for he was apparently
not on speaking terms with the merchants. Although the
Foreign Office regarded Jardines as a firm of such
importance that their moving into the Yokohama location
settled that matter, the Minister does not appear to

- (1) Archives, Corres. Commerciale, Vol. 3, Roches to Drouyn de Lhuys, No. 18, Yokohama, 23 September 1864, enclosing the "Kanagawa Market Report" of 30 September 1864.
- (2) R. Fortune, Yedo and Peking, p. 295.
- (3) Japan Corres., F.O.46, Vol. 30, John Smale to Foreign Office, Hong Kong, 8 May 1861.

have talked personally to Keswick or any of the other British merchants at Yokohama. The French Consul-General did so; Alcock did not. Although it was undoubtedly correct procedure for Alcock to work through his Consul at Yokohama, and thus maintain only a written correspondence with the merchant community, it left him very badly situated for commercial and political intelligence.

There were not, as yet, any skilled linguists at the British Legation, and Alcock complained that the Japanese police guard prevented any contacts between the diplomats and ordinary Japanese. However, the British merchants were not only in daily contact with the constantly changing Customs officials, but also with Japanese traders, some of whom travelled extensively in the interior. Keswick, in particular, had become fairly fluent in Japanese and was regarded as an expert on Japanese affairs.⁽¹⁾ By isolating himself, Alcock was thus dependent upon the information of Consul Vyse, who had been complained of in Parliament for his complete lack of business or diplomatic experience.⁽²⁾

Alcock described Vyse as having little education,

- (1) R. Fortune, Yedo and Peking, p. 282.
- (2) F.C. Jones, Extraterritoriality in Japan, pp. 49-50. Satow also comments upon the quality of the Japan staff and the examination system on pp.17-19, 29-32.

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(1)

but the overwhelming advantage of being "a gentleman."
Vyse's lack of diplomatic experience cost him his position a few years later, after his mishandling of a Consular court case, while his ignorance of commercial affairs may have misled Alcock as to the situation at Yokohama.

In contrast to the diplomat, the British merchant was very carefully selected, for his passage and kit cost his firm over \$300, while the uncertainties of health on the China Coast made it imperative to send out men who were not mere clerks, but capable of taking over and managing large affairs on short notice. This was made fairly certain by sending out men connected by family or locality, whose characters were well known. (2)

As the diplomat misunderstood the merchant, so did the merchant underrate the problems of the diplomat. In the summer of 1859, Keswick had thought that Alcock would use coercion if the Japanese continued their efforts to restrict trade. (3) After attacking the merchants for exporting gold in November, Alcock had time for thought.

- (1) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Yedo, 1 September 1860.
- (2) A. Michie, Englishman in China, Vol. 1, pp. 258-259.
- (3) J.M. & Co., Box Yokohama 1859, W. Keswick to J.M. & Co., Yokohama, 21 July 1859.

On the ninth of December the British, French and American diplomats had a long and fruitless interview with the Japanese Foreign Ministers. For four hours, the three foreigners attacked the Japanese for their bad faith in violating the treaty. Alcock apparently threatened the Japanese with force, but there was no British warship in port and all he gained was a rebuke from the Foreign Office which did not want a reputation for squabbling with every nation in the East.⁽¹⁾ When Alcock was too tired to continue, Harris took over, to be followed in turn by de Bellecourt. Their defeat was complete. The Japanese not only refused to do anything about lifting trade restriction, but hinted broadly that if the foreign diplomats remained at Yedo their lives would be in danger.⁽²⁾

"I confess it seems to me the future before us is one of little promise," wrote Alcock a few days later.⁽³⁾ There was nothing that could be done without warships, wrote the French Consul-General.⁽⁴⁾ "The matter will not

- (1) Japan Corres., F.O.262, Vol. 3, Russell to Alcock, No. 44, Foreign Office, 28 February 1860. This letter seems to have been misplaced, as the remainder of the volume is Japan-to-London Correspondence.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 24, Yedo, 9 December 1859.
- (3) Japan Corres., F.O.262, Vol. 3, Alcock to Russell, No. 39, Yedo, 23 November 1859.
- (4) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 17, Yedo, 18 November 1859.

do without cannons," noted a Russian observer.⁽¹⁾ It was not a question of sailing a fleet up to bombard this or that Japanese city, but of keeping one or two warships permanently stationed at Yokohama. Previous experience had demonstrated that to show weakness in Japan was to invite aggression from the Japanese. Both British and Americans had learned this before trade began in 1859, and Alcock remarks approvingly that when the Japanese tried to restrict supplies to a Russian warship, the Russians landed their crew and swept the countryside to obtain their needs.⁽²⁾ Thereafter, they had no trouble and were considered by the Japanese as the only foreign power worth fearing.⁽³⁾

What was necessary at Yokohama was a British warship on station, so that foreign complaints of trade restriction would be seen to have a backing in force. When Alcock did have a warship several years later, the mere threat to land sailors to destroy a gate the Japanese had erected to prevent foreigners riding for exercise within the twenty-five mile radius allowed them by treaty, was sufficient to have the gate removed.⁽⁴⁾

(1) G.A. Lensen, Russian Push Towards Japan, p. 374.

(2) R. Alcock, Capital of the Tycoon, Vol. 1, p. 84.

(3) A. Michie, Englishman in China, Vol. 2, p. 104.

(4) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Yedo, 11 February 1862.

Presumably, the Japanese watch houses in Yokohama, and the guards at their gates who arbitrarily taxed the Japanese merchants bringing goods for sale, could also have been forced to cease this practice without fighting. Although they might continue it at some point further inland, it would at least be more difficult for them.

After years of excuses, the ease with which the Government produced exchange when a foreign warship demanded it in 1863 is illustrative. Even a single British warship, with or without help from the French, Prussian, Dutch, Russian and American vessels that put in at Yokohama, probably could have broken the Japanese restriction policy quite simply and without the danger of landing troops. This was due to the situation of the Shogun's capital at Edo. It was a city of almost a million, dependent for its daily food requirements upon the coasting rice junks and fishing boats which brought its supplies through a single channel. In 1863, a single British warship did blockade this channel, and the Japanese Government quickly came to terms.⁽¹⁾ Alcock had done exactly this at Shanghai a few years earlier when, to obtain co-operation from the local officials, he had blockaded the port containing 1,400 rice junks and 50 Chinese war junks with a

(1) A. Roussin, Une Campagne sur les Côtes du Japon, Paris, 1866, p. 87.

(1)
single 10-gun brig. Her Captain had co-operated fully, but this was not always to be the case when British warships appeared in Japan. Between August 1859, when the Royal Navy vessel which had brought him to Japan dropped him like "an unwanted parcel" and disappeared down the bay, until December 1860, there was not a single British warship in the port. Those that arrived at the end of the first year had all left after only six weeks, including even the corvette which the Admiral had promised Alcock to leave there permanently. So that whereas British merchants complained that Alcock did not press their claims against the Japanese, it may not have been a matter of personal animosity towards them, so much as the realization that until the Foreign Office and Admiralty in London joined forces to order ships to his support in Japan, there was little that he could do.

The indifference to commercial matters of which the British merchants complained ("I do not look for Mr. Alcock rendering us any assistance," wrote Keswick.⁽²⁾), was seconded by his French diplomatic colleague, but may have been merely realism.⁽³⁾

- (1) A. Michie, Englishman in China, Vol. 1, p. 131. Alcock also mentions this possibility to the Japanese in F.O.391, No. 31, Alcock to Ministers of Foreign Affairs, Yedo, 15 March 1862.
- (2) J.M. & Co., Box Yokohama 1860, W. Keswick to J. Whittall, 4 September 1860.
- (3) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 86, Yedo, 6 March 1861.

Chapter Five

CONTRACTS AND COMMERCE

Having failed to enforce a free trade at the Yokohama location, or to get a sufficient exchange provided, there was only one commercial matter left for Alcock's attention between the summer of 1860 and his home leave in the spring of 1862. It was a question of commercial honesty⁽¹⁾ and it was to plague the Japan trade into the following century.

In Japan, as in China, local merchants were chronically short of funds, and it was necessary for the foreigners to advance them money with which to buy tea, silk and produce in the interior. This placed a considerable temptation upon the merchant. Losses were not frequent enough in China to inhibit trade, but their incidence in Japan assumed such proportions that the Japanese attained a worldwide reputation for dishonesty in business matters. In his third letter from Japan, Keswick had already complained of a broken contract "notwithstanding that I have a written document to show the purchase," and reported that he planned to place the matter in the hands of the Consul.⁽²⁾

- (1) See B.H. Chamberlain, Things Japanese, London, 1902, pp. 279-83, p. 491, also J. Heco, Narrative, Vol. 2, p. 205.
- (2) J.M. & Co., Box Yokohama 1859, W. Keswick to J.M. & Co., Yokohama, 27 July 1859.

This course proved useless. The British Consul could only refer the matter to the Japanese authorities; they were bound under the treaty to take action against their merchants who engaged in fraud,⁽¹⁾ but, as with many of the treaty provisions, this one also went unenforced.

Stealing coolies were beaten publicly with the bamboo, or executed and their heads pilloried over a document relating their theft; Japanese merchants, however, seem to have escaped unscathed. Apparently they made things right with their own officials before vanishing into the interior. Some did not even trouble to conceal themselves, and stayed at the treaty port, debauching openly upon the money they had stolen from the foreigner. In one such case, where foreigners took the law into their own hands, seized the man and turned him over to the Japanese Governor, it was reported on the following day that he had "escaped."⁽²⁾

Japanese merchants in dealings with each other, are said to have maintained a high standard of honesty, most agreements being oral, sealed by the clapping of hands,⁽³⁾ and with bargain money deposits seldom required. If

- (1) See Article VI of the American Commercial Treaty of 1858 included as Appendix One of this work.
- (2) Japan Corres., F.O.262, Vol. 465, Alcock to Minister of Foreign Affairs, Yokohama, 27 September 1861.
- (3) N. Skene-Smith, Tokugawa Japan, p. 85.

this were true, then the high level of dishonesty in their relations with foreigners seems to have been caused by a combination of the adventurers who first went to trade with the foreigners at Yokohama, being aided and abetted by the Japanese officials.⁽¹⁾ Alcock writes that defaulting merchants were shielded with "the manifest connivance of the Custom House officials"⁽²⁾ who had been bribed with the foreigners' own money. Consul Vyse reported that the Japanese Governor of Yokohama had told Japanese merchants that the domestic law for creditors would not be enforced when a foreigner was in question.⁽³⁾

There may have been cases in which the officials levied such a large squeeze upon the money advanced to a Japanese by a foreigner that the Japanese had no choice but to default. ~~However, the initiative probably came from the Japanese merchant.~~ The Government presumably left this matter up to its local officials as one of the perquisites of their position, and since these men were constantly being changed at Yokohama they had little

(1) W.G. Beasley, Select Documents on Japanese Foreign Policy, London, 1955, p. 218.

(2) Japan Corres., F.O.262, Vol. 465, Alcock to Japanese Foreign Ministers, Yokohama, 31 December 1861.

(3) ibid.

enough time in which to profit. Although the Government probably took no interest in the stolen money, the end result was undoubtedly satisfactory to them. Without the extension of credit for purchases in the interior, where the foreigner could not go, only a small business could be done in the goods actually on hand in the market; any large volume of trade became both difficult and dangerous. The Japanese refusal to prosecute defaulters insured that credit transactions would be limited and that trade must largely remain confined to purchases in the bazaar at Yokohama.

An actual case shows how the system worked. One of the silk buyers to whom Keswick lent money was the firm of Takashi.⁽¹⁾ During the years of 1861 and 1862, they had been entrusted with large sums and had always delivered silk or other produce in return. In the spring of 1863, war with Britain seemed imminent and the price of silk at Yokohama rose sharply. Takashi & Co. apparently began to sell the silk they had bought at an agreed price for Jardines to other foreigners, at the new high prices. They also asked Jardines for more money, while delivering small amounts of silk from time to time so as not to destroy the firm's faith entirely. If war came, they

(1) Listed in the Japanese style as Takasia (Takashi-ya) in the Jardines papers.

evidently reckoned any money advanced could be kept as clear profit. When Takashi ceased to deliver silk to Jardines in April 1863, his firm owed them some \$92,000. In October, Jardines asked the Japanese Governor to arrest Takashi. No notice was then taken of the application. In December, the Governor wrote to the British Consul that Takashi had many other creditors and that if they seized his property and divided it up there would be "only a drop in the ocean"⁽¹⁾ for Jardines. This course was, he added, not conformable to Japanese law and hence impossible.

Takashi & Co. seems to have been a sizable firm with several branches, and his excuse was that he had been robbed by his agents who had then absconded. The excuse was made from Atami, a hot springs resort south of Yokohama. In an effort to force the Governor into action, Jardines sent another Japanese into the interior to investigate the property owned by Takashi. This man returned with a list of eleven properties, most of them in the silk districts to the north. This list was submitted to the Governor in 1866, with the request that since Takashi was obviously not insolvent as claimed, the

(1) J.M. & Co., Box Yokohama 1863, Consul Winchester to S. Gower, Yokohama, 11 December 1863, enclosure in Gower to J.M. & Co., 17 December 1863.

Government should seize and sell these properties for Jardines' benefit. The Governor displayed little interest in the list, announcing that all of the properties were mortgaged to other people, but showed great interest in discovering the identity of the Japanese whom Jardines had sent into the interior. This man was still trying to ascertain the holdings of Takashi in Oshue province. His letters ceased suddenly in January 1866, and he did not return to Yokohama.⁽¹⁾ The case was written off as a bad debt in 1867, Jardines having lost almost \$100,000. An additional \$40,000 in loans was⁽²⁾ lost to three smaller dealers over the same period.

In this they merely shared the fate common to all the foreign merchants in Japan. By December 1861, Alcock was fruitlessly pressing \$30,000 worth of claims against defaulting Japanese merchants.⁽³⁾ One of the first letters he had to send to the Japanese Ministers on his return from home leave in 1864, was to ask why the \$610 owing⁽⁴⁾ to a British merchant since 1861 had not yet been paid.

- (1) J.M. & Co., Box Yokohama 1866, C. Hope to J.M. & Co., 7 January 1866.
- (2) J.M. & Co., Box Yokohama 1868, H. Austin to J.M. & Co., 1 May 1868.
- (3) Japan Corres., F.O.262, Vol. 465, Alcock to Japanese Foreign Ministers, Yokohama, 27 December 1861.
- (4) Japan Corres., F.O.262, Vol. 479, Alcock to Japanese Foreign Ministers, Yokohama, 27 May 1864.

It possibly never was for, as a British merchant had written to his Consul at Nagasaki in July of 1860, the Japanese officials "seem to be deaf and dumb in assisting us, however sharp they may be in throwing obstacles in our way."⁽¹⁾

Contemporaries have written that broken contracts and fraud were common; goods ordered were refused on a turn of the market; tea was seldom up to sample;⁽²⁾ silk had to be inspected skein by skein - a time consuming process which alone ensured that the trade would be small - ; while money advanced to Japanese for purchases in the interior would vanish with the supposed purchaser. "Now and then a Japanese dealer would get paid out in kind, but the balance of wrongdoing was greatly against the native, and the conviction that Japanese was a synonym for dishonest trader became so firmly seated in the minds of foreigners that it was impossible for any friendly feeling to exist."⁽³⁾

A missionary, writing a commercial handbook for the entire China Coast trade, thought it necessary to include the warning that the Japanese was not to be

- (1) M. Paske-Smith, Western Barbarians, p. 407.
- (2) J. Black, Young Japan, Vol. 2, p. 77.
- (3) E. Satow, Diplomat in Japan, p. 22.

(1)
trusted with money. The success of this policy in limiting what might otherwise have been a large trade, was indicated by two of William Keswick's letters written in 1865, after five years experience with the Japan trade. To his Yokohama agent he wrote that "the Japanese in money matters are not to be trusted, as we have had proof abundant," (2) while to an agent at Nagasaki he wrote that unless the Japanese became honest it would "be necessary for the future never to place the slightest faith in their promises. I make this statement deliberately and am determined to adhere to it, for in the past we have met, with few exceptions, with nothing but disappointment when we have undertaken anything that was not simply in the course of the market. All large transactions," he continued, "in which we have had to trust to the good faith of the Japanese have invariably caused us much anxiety and have given no profit." (3)

The writings of diplomats and missionaries on Japanese commercial ethics are always open to question, as they could only know of the subject at second-hand;

- (1) S. Wells Williams, Chinese Commercial Guide, 5th Edition, p. 252.
- (2) J.M. & Co., Box Shanghai 1865, W. Keswick to S. Gower, 24 January 1865.
- (3) J.M. & Co., Box Shanghai 1865, W. Keswick to T. Glover, 25 January 1865.

but when a man with Keswick's experience in Japan, representing a firm which was anxious to do business in that country, instructs his agents not to lend money to the Japanese, it is evident that more than ordinary commercial dishonesty is involved. Keswick was accustomed to fraud in China, both among the Europeans attempting to do business on insufficient capital, and among the Chinese merchants, so that when he considers the Japanese to be so generally dishonest as to refuse them any credit, their conduct must have been out of the ordinary.

In pilfering by stevedores, or the adulteration of produce, there was little to choose between Europeans, Chinese or Japanese but, in the question of credit, the Japanese achieved a unique and early reputation. That this was so seems to be largely the fault of the Japanese officials who tacitly, if not actively, encouraged their merchants to defraud foreigners.

In the spring of 1862, as the first three years of the new Japan trade drew to a close, the merchants and their diplomats were still complaining unsuccessfully about the same things; notably, the restriction of trade, the inadequate supply of Japanese coin, and the refusal to prosecute defaulting Japanese

merchants. The Customs officials who manned Yokohama's bridges, watch houses and landing wharves, were still exacting arbitrary squeezes on every transaction, some of them reported as being heavy enough to force an otherwise honest Japanese trader into breaking his business contract with a foreigner. The guards, who were supposedly to protect the foreigners, were actually engaged in spying upon them to record each transaction, presumably to know which Japanese merchants could be milked of their profits.⁽¹⁾ Indeed, when a fire broke out among the foreign warehouses in February 1862, several of these officials were found helping things along by throwing burning brands onto the adjacent buildings.⁽²⁾ The Government still maintained its monopoly of both cargo boats and coolies, raising the cost of these - wages were paid to a Government coolie master, not to the coolie himself - or withholding their services as it saw fit.⁽³⁾

In his last letter before going home on leave,

- (1) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 116, Yedo, 20 January 1862, Annexe No. 1. Complaints of French subjects relating to trade.
- (2) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 124, Yedo, 16 February 1862. Encloses statement of Lieut. Applin of British Legation Guard.
- (3) Japan Corres., F.O.262, Vol. 465, Alcock to Japanese Foreign Ministers, Yedo, 22 February 1862.

Alcock wrote to the Japanese ministers that he had been unable to make any headway whatever in the last three years, and that the officials of the Government had constantly endeavoured to make the position of the foreigners intolerable by "insolence, chicanery and extortion." He continued, "So long as foreigners are kept isolated and separate from the Japanese, hemmed in by officials and depreciated in the eyes of the people, there is no hope for improvement." This last despatch to the Japanese informed them that their present course would lead to war, and pointedly noted the ease with which Edo harbour could be blockaded and the rice supply of their capital shut off.⁽¹⁾

The trade, after almost three years, was still reported at being a rough total of only ¥1,000,000.

"The supply...is but small", wrote Alcock, but it "is no criterion of what Japan might be as a new market...could our relations with it be placed on a more satisfactory footing."⁽²⁾ This regime, he noted, however, was everyday becoming more obstructive and threatening.⁽³⁾

Yet in the same month, a group of British merchants at Yokohama wrote to Lord Russell asking him to open the

(1) Japan Corres., F.O.262, Vol. 470, Alcock to Japanese Foreign Ministers, Yedo, 15 March 1862.

(2) R. Alcock, Capital of the Tycoon, Vol. 2, p. 351.

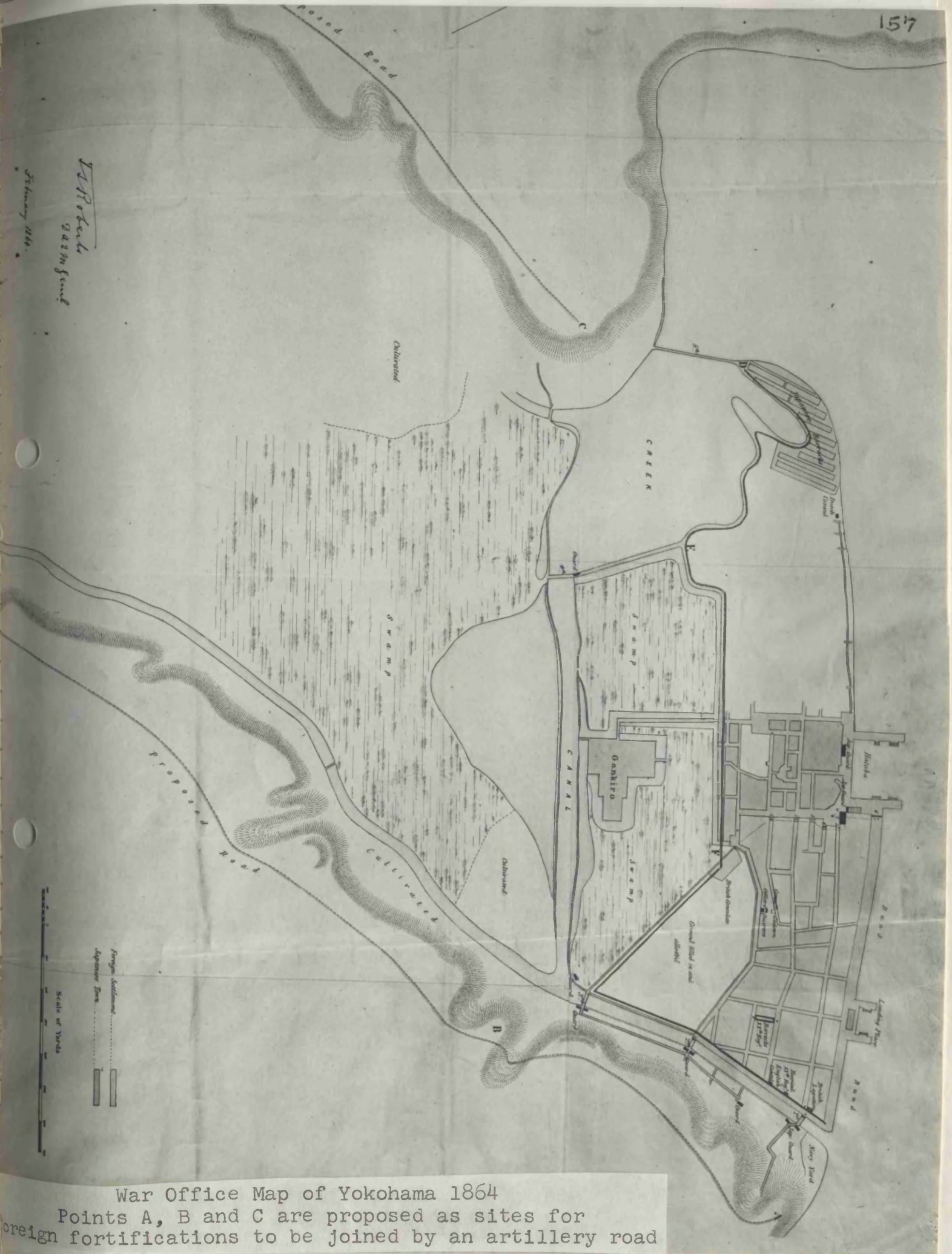
(3) ibid., p. 222.

new port of Osaka as scheduled by treaty because of the great expansion of the Japan trade which had been beyond their most sanguine hopes.⁽¹⁾ Admittedly, they tempered their petition by holding out far greater optimism for the new port of Osaka than for their present location at Yokohama, but the difference between diplomatic pessimism and mercantile optimism is interesting. In spite of restrictions and the low trade statistics, the French Consul-General had found many of the larger English merchant houses at Yokohama to be quite satisfied with the situation, which he considered a "chose inexplicable."⁽²⁾

Perhaps there was an explanation and, despite Japanese Government restriction, the mutual desire for profit of both the Japanese and foreign merchants, coupled with the venality of the customs officials, had managed to create a trade where the foreign diplomats had failed. To a limited, but very real, extent they had succeeded, as a study of commercial statistics rather than diplomatic despatches will show.

- (1) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 125, Yedo, 29 March 1862. Enclosure British merchants to Lord Russell, 28 March.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 94, 16 August 1861.

Yokohama
War Office
February 1864



War Office Map of Yokohama 1864

Points A, B and C are proposed as sites for foreign fortifications to be joined by an artillery road

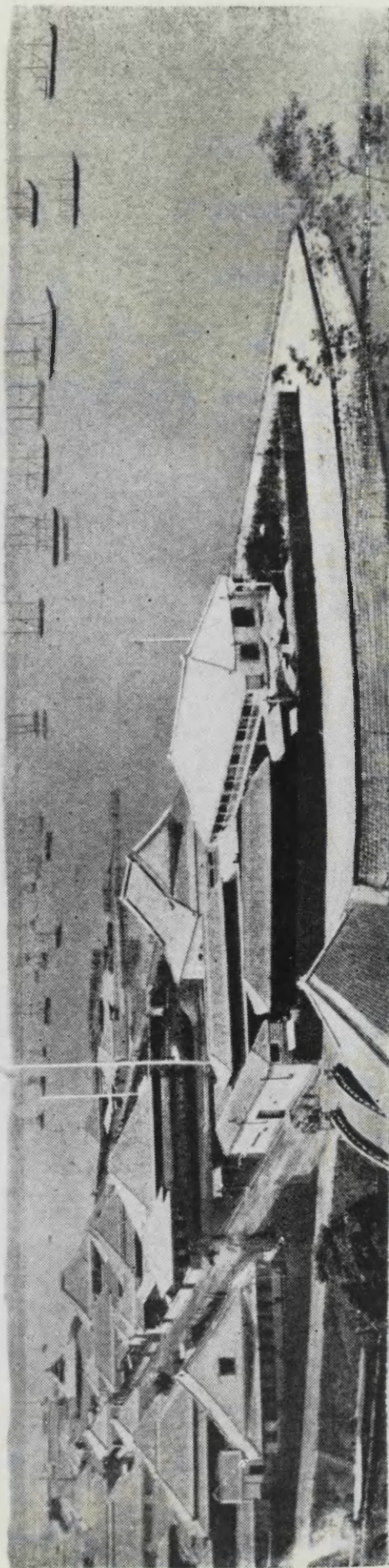


Photo of Yokohama Bund from the Bluff about 1863
Customs Houses and piers at center,
Jardines Office and godowns in foreground

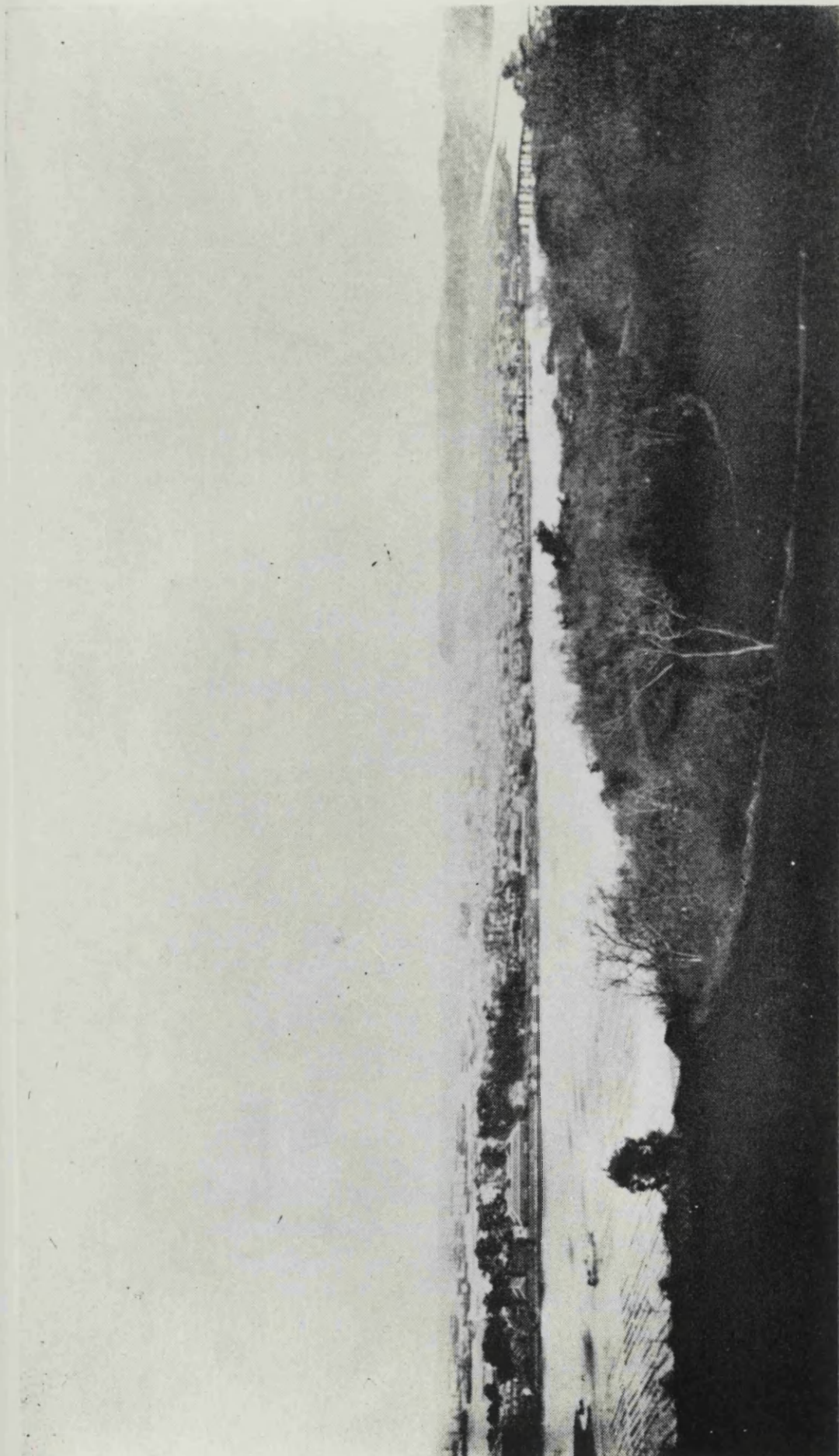


Photo of Yokohama
from the hills behind the settlement about 1863

VIEW OF YOKUHAMA FROM THE HILLS BEHIND THE TOWN.

FRONTISPIECE.



- a. Road to Kamigawa.
- b. Bridge and Gate, with Guard-house.
- c. The Gun-ke-ro (see p. 37).
- d. A Temple in a Wood.
- e. Canal.
- f. Kamigawa.
- g. Paddy Fields.
- h. Fort built in 1860.
- i. Raised Pathway.
- j. Yokohama.
- k. m. Road to Yedo.
- l. Harbour and Shipping.
- n. New Foreign Settlement.

Sketch of Yokohama 1860
From Fortune, Yedo and Peking



Yokohama in the 1870's

Chapter Six

COTTONS AND CAMLETS AND CUSTOMS

The key to the situation seems to lie in the French diplomat's description that it was the larger British firms which seemed satisfied even though restriction was keeping trade small. It is very difficult at this distance in time to find out just what happened to the smaller firms doing business at Yokohama, but evidence of two of them bears out the superiority of the large agency houses which showed particularly when business became tight.

Michael Moss, a Londoner, freighted a ship with British goods and came directly to Yokohama in the summer of 1859. He then considered himself "on the high road to fortune";⁽¹⁾ yet when he left a year later trade was so slow⁽²⁾ that it hardly paid his expenses. Moss had no experience in the Chia^v Coast trade, and probably had not attained much command of the Japanese language or enough skill to purchase silk or tea at profitable rates. A different case was Joseph Heco, the Japanese-American who was in business with an American partner who handled the book-

- (1) Michael Moss, Seizure by the Japanese of Mr. Moss, London, 1863, Introduction and pp. 3-4. As this book was written to help press a claim for damages against the British Government it must be used with caution.
- (2) Japan Corres., F.O.46, Vol. 30, Vyse to Alcock, Yokohama, 4 February 1862.

keeping. They too had arrived in the summer of 1859, but by March 1861 Heco dissolved his partnership and left Japan in September because business had been so poor.⁽¹⁾ The superiority of the larger firms apparently lay in their ability to combine a number of lines of business as the smaller men, no matter how skilful individually, could not do.

Jardines was not only in a position to advance large sums of money to Japanese dealers for the purchase of silk or tea in the interior, but also to earn freights with its ships, to sell insurance, to import large amounts of textiles or dollars quickly from its Shanghai stocks if a demand arose, and to engage in larger enterprises such as the tea-firing plant they established at Yokohama in 1861. Merchants were also reported as often making up losses in silk or tea by gains in real estate speculation.⁽²⁾ Here again the larger firms usually appeared early and spent considerable sums for the purchase of the limited available land.

The firm's rule that each agency send in regular monthly accounts not only of a general trial balance, but also separate accounts for each division of its expenditure, such as tea, silk, imports, house expenses, customs charges, etc., enforced caution and system upon

(1) J. Heco, Narrative, Vol. 1, p. 277.

(2) A. Michie, Englishman in China, Vol. 1, pp. 172-177.

its agents, while its equally strict rule about steady correspondence put its Japan agent in regular possession of market reports and prices for China, India, Europe and North America. These advantages, combined with Keswick's reported command of Japanese, the knowledge of tea and silk he had brought with him from China, and his own business acumen, kept Jardines and presumably the other large China houses earning at least moderate profits in the lean years of 1860 and 1861 when smaller one and two man operations were being forced out.

With July of 1860 the three ichibus for one dollar exchange provision of the Harris treaty came to an end. The Japanese Customs House dropped the rate sharply until they were giving only two ichibus for each dollar, and business picked up noticeably. By September, a great business in silk and imported textiles could be reported at Yokohama with 3,500 bales of silk having already been exported since the season began on July 1st.⁽¹⁾ Although the foreigners made better profits on the silk, it was the increase in the sale of British textiles which satisfied Alcock and which apparently prevented his pressing the Japanese Government to grant a better exchange rate.⁽²⁾

(1) J.M. & Co., Box Nagasaki 1860, K. Mackenzie to J.M. & Co., 8 September 1860.

(2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 86, Yedo, 6 March 1861.

The contrast between Alcock's reporting the total trade of roughly \$1 million as comparatively nothing⁽¹⁾ with the satisfaction of the trading houses is best explained by the combination of Alcock's own isolation at Edo with Consul Vyse's lack of business experience, for the import trade was a good deal larger than either of them suspected. The French Consul-General not only visited Yokohama to question merchants and customs officials personally, but lacking a full time Consul at Yokohama his Government was represented by Jose Loureiro, the agent for Jardines' largest competitor, Dent & Company. Although the French diplomat noted that the merchants were often reluctant to give actual figures on their business, he was in a better position to work out a trade report than Consul Vyse who seems to have made out his reports by accepting the Japanese customs figures with the addition of general comments by British merchants. The Customs officials did not adopt a business-like system of accounts until the year 1865. Although this was not a particularly good year for trade, their figures for imports jumped from the \$4,776,370 reported the previous year to \$12,740,779 and continued to run along at

(1) For a breakdown of British trade, see "Annual Statement of Trade and Navigation of the United Kingdom", Parl. Papers, Accounts and Papers 1861, (Cd. 2894).

about the latter figure for the next several years, although these were years of civil war and business in imports was reported as very dull.⁽¹⁾

The British consulate at Yokohama continued to accept and submit to London the statistics given them by the Japanese Customs officers, so that until the new accounting system of 1865 and the creation of a Yokohama Chamber of Commerce in 1864 which began to collect independent data, the trade figures sent to London are highly questionable.

The Japanese Customs officers were not only corrupt but, in the early years, they were hopelessly at sea when it came to placing dutiable values upon the new foreign imports.⁽²⁾ These Customs officials were not only often changed, so that they seldom had time to learn their jobs thoroughly, but as their education had generally consisted of the Chinese classics plus some feudal military science, the western merchants could often get the best of them, particularly in the matter of unfamiliar imports. In consequence, the Customs were often cheated out of as much as 90% of the import duty owed to them.

Thus, the French trade return for 1860 estimates

- (1) Archives, Corres. Commerciale, Vol. 5, Tascher de la Tagerie to Ministry, Yokohama, 28 March 1869.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 96, Yedo, 2 September 1861.

the import trade not at the \$823,700 returned to London, but at \$1,400,000, almost 50% higher.⁽¹⁾ Applying the same figure of 50% to Consul Vyse's Custom House figure of \$1,478,815 for 1861⁽²⁾ one arrives at an import trade of almost \$2 $\frac{1}{4}$ million, or at \$4 to the £, roughly £500,000. As the free port of Hong Kong took £2,500,000 worth of British imports in 1860 after many years of trade and with no native restriction policy to contend with, this was a very respectable figure for the second full year of Japan trade. In 1863, the Customs figure was \$3,237,330 while the French estimate was some \$5,000,000 worth of imports.⁽³⁾ That is more than £1 million of mainly British goods,⁽⁴⁾ entering only one Japanese port after three and a half years of trade under great political difficulties.

Taking an average of fifteen consecutive textile

- (1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 83, Yedo, 10 January 1861, No. 87, Yedo, 10 March 1861 and No. 91, Yedo, 2 June 1861.
- (2) ibid., Vol. 2, No. 132, Yedo, 1 February 1862 - the franc fluctuated between 5.6 and 6.3 in this decade so that wherever a trade figure is not given originally in dollars, a conversion figure of 6 francs to the \$ has been used.
- (3) ibid., Vol. 2, No. 152, Yedo, 14 April 1863.
- (4) H. Borton, Japan's Modern Century, p.65 fn.8, quotes a Japanese author that 73% of the imports in 1863 were British.

shipments brought through customs at Yokohama between August 1861 and April 1863 and recorded in Jardines' accounts, one arrives at a figure of 67% as the amount that the customs were defrauded on import duty, so that if anything the French addition of roughly 50% to Japanese customs figures was too low. It is difficult to censure the foreign merchants for this. Given corrupt Japanese customs officials demanding bribes upon exports of silk and tea of whose value they were well aware, it only remained for the westerners to take advantage where they could in such fields as imports. If one firm did so, competition would drive the rest to it also. One example of what this saving amounted to is Jardines' shipment of \$16,538 worth of textiles in January 1861, upon which roughly \$1,200 duty would have been avoided at this rate. This system ceased when the conditions creating it were changed under a convention in 1866. At this time set values were placed on all foreign imports and the individual importer no longer estimated the worth of his goods. This was one reason why the merchants were satisfied with trade in spite of restriction. Another was that the sale of British textiles, once past the Custom House, also provided

a reasonably profitable business.

In contrast to China where British cottons did not have the consistency or durability of the native cloth, in Japan they were apparently both cheaper and of better quality.⁽¹⁾ They sold well from the beginning, although Jardines' Shanghai office seldom remarks on the trade. It was useful, moderately profitable, the demand was promptly met and the market kept in regular supply. Grey shirtings and camlets - a wool and cotton mixture used by the Japanese for their outer cloak, the haori - were the largest selling items, followed by cotton yarn, while velvets, brocades and chintzes had a small but fairly steady sale.

A Russian observer remarked that during the first twelve months of trade, the Japanese Government had forbidden its people at Yokohama and Edo to purchase foreign imports, hoping to convince the foreigners there was thus no demand for their goods.⁽²⁾ He had been told this by Japanese shopkeepers and believed the story as the Japanese had been eager to barter western goods at other ports where the Russians had called. If this rule existed it must have been relaxed in the summer of 1860, or found to

(1) T.C. Smith, Political Change and Industrial Development in Japan, Stanford, 1949, Preface.

(2) G.A. Lensen, Russian Push Towards Japan, pp. 373-374.

be unenforceable for once Japanese cloth merchants found they could buy western dollars at two ichibus each and purchase textiles with them, a brisk trade sprang up.

The import helped the export trade for, as Japanese merchants began to buy more western goods, they also became more willing to take dollars for their own produce. In the interior silk and tea regions dollars could not pass, but at the ports they began to circulate more freely. A western merchant reported to London that in 1862 Japanese silk dealers were accepting dollars readily in payment,⁽¹⁾ while in the autumn of 1861 the French despatches report that the value of \$100 had risen from just over 200 ichibus to 229.⁽²⁾ This improvement sprang in some measure from its usefulness in buying textiles. "Perhaps," Alcock wrote to the Foreign Office, "it proves as elsewhere that trade and the interests of traders are often stronger than governments."⁽³⁾

The foreigners did not make any large profits on shirtings. A piece of cloth selling at \$2.35 in Shanghai, brought \$2.80 to \$3.25 at Yokohama after the expense of

- (1) Japan Corres., F.O.46, Vol. 39, Third Report on Japanese Currency, Arbuthnot to Foreign Office, 28 May 1863.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 96, Yedo, 2 September 1861.
- (3) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Yedo, 1 January 1861.

re-shipment, insurance, loading, unloading, duties and storage. Keswick, who had previously been able to get rid of small quantities of shirtings only by bartering them against seaweed or copper, could now sell them freely and in good quantity. They also provided a most welcome cargo for Jardines ships which otherwise had to go in ballast to Yokohama for tea or silk.

In contrast to shirtings, camlets sold at a good profit from July to the end of November, bringing from \$30 to \$35 for a piece approximately 60 yards long and 31 inches wide. With the advent of larger supplies the next winter, they fell in price to the neighborhood of \$20 a piece where they remained for several years. Textiles sold well all that summer and autumn at good prices, and it can hardly have been because of their novelty value as sales continued to increase year by year.

Chargé d'Affaires Winchester was probably correct in thinking that the import trade would continue to grow rapidly, particularly if peaceful political conditions prevailed.⁽¹⁾

The import trade was useful, although because of competition it seldom returned any spectacular profits. In terms of profit they seem to have given a modest but

(1) Parl. Papers, H. of C., 1864, Vol. LIII (Cd. 3576), pp. 291-299, Winchester to Russell, Yokohama, 24 April 1865.

steady return in Japan, in contrast to China where the market was chronically over supplied and losses often heavy. Jardines shipped goods from Manchester and London, both on its own account and for sale on commission for other firms. Profits on fifteen textile shipments listed consecutively in the account book for the years 1862 and 1863, show that thirteen of these sold profitably. Profits ranged from the \$5,824 gained on 96 cases of velvets shipped directly from London to Yokohama, to only \$4 gained on three cases of crepes from Shanghai. The second largest profit was \$1,820 on 74 bales of camlets, but the average sales were between 5 and 15 cases showing profits under \$400. The single loss of this group was of \$465.

Tastes changed rapidly in Japan, and it was consequently difficult to order goods directly from England, as in the intervening nine months the market could change drastically. Yellow camlets were the favourite colour in 1860 when they sold for \$60 a piece. Two years later they sold at \$14 each, while the unwanted scarlets of 1860 now led the field. It seemed to depend largely upon supply for if a colour was scarce its value went up. Hence, few ships came out directly to Japan. In 1864, only eight arrived at Yokohama from London, as against the thirty-five

which left Yokohama for London. Textiles were usually stocked at Hong Kong and Shanghai and sent to Japan on order, but even with the additional costs of transshipment they seem to have returned moderate profits. Although the volume of trade remained small, it was increasing steadily.

The years 1860 and 1861 were bad ones for trade. The Government's policy of restriction was proving fairly effective in general, and the two bright spots in the trading situation gave hope for the future rather than profit in the present. The first of these had been the slowly growing demand for foreign goods, while the second was the equally slow easing of the exchange arising out of the demand for imports and the increasing supply of Japanese coin.

Foreign perseverance was rewarded when trade began to improve sharply in the spring of 1862 and Jardines grew with the trade. In January 1863, the firm at Yokohama numbered three Britons, the agent, a bookkeeper, a silk buyer and five Chinese to help with sales, as well as nineteen Japanese. There were also five Chinese tea men who supervised the roasting, mixing and packing of teas. These men were employed on a permanent basis while Japanese help in preparing tea was engaged only as necessary.

Temporary employees included twenty or thirty men making lead-lined tea chests as well as more than a hundred women sorting and heating the tea. Foreigners jointly paid \$1 a month to a Japanese night policeman, in addition to whom Jardines kept a gateman and two watchmen who each received \$5 a month for their services. This was also the wage of the two houseboys and the two coolies who kept the house supplied with water, lamp oil and charcoal. There was little meat available in Japan, apart from some tough chickens, so that the two grooms employed looked after a few sheep as well as the horses. Two office boys, a gardener, two boatmen and three warehouse labourers completed the Japanese roster. The cook and butler received no salary so that apparently, after the ancient custom of the East, their wages represented the squeeze between what they paid for food in the market and what they charged their employers for it. At one time in 1865, this system got so out of hand that the agent dismissed both cook and butler and took to eating in a local restaurant.

Aheim and Ayune, the Chinese compradores received \$30 a month, while another Chinese who assisted them received \$15. Two Canton coolies who worked in the godowns divided \$25 each month. All the staff seems to

have slept on the premises and the Chinese at least received their native rice as well as their wages from the Company.

The wages of the Europeans are not set out in the accounts, but a bank clerk at Yokohama in 1870 was paid his passage out, given his rooms and a salary of \$2,400 a year. "Food, wine and servants" were reckoned as liable to cost half of that amount, so that the remainder was left for clothes and amusements.⁽¹⁾ Europeans usually seem to have been employed on a three year contract. A silk inspector wrote to Jardines in 1886 asking for a second contract with the firm at \$300 a month for the first year, \$325 for the second and \$350 for the third, with house included.

Another in writing for leave, noted that he had not had more than ten days vacation a year or left Japan for ten years. He had, moreover, not been home to Britain for twenty years, so that the life had its disadvantages despite the abundance of labour. This was such that even an interpreter at the British Legation in Edo could afford to keep five Japanese and one Chinese servant to run his house in 1870. Salaries for partners are almost impossible to estimate as they varied with the man's position and the yearly profits, but for the year

(1) Parkes Papers, Box Correspondence, Yedo, 27 January 1870. Memorandum to Parkes from an un-named subordinate.

1874 Mr. Gower, a relatively junior partner, received \$18,000 as his share. In addition to their salaries all the European staff, including the Company's ship captains and presumably the Chinese as well, were allowed to ship goods on their own accounts. The Britons did a small business in Japanese curios for sale at home.

It is difficult to estimate the buying power of these salaries, but there was then no income tax and some commodity prices are revealing. Potatoes were a U.S. penny a pound, eggs a penny a piece, bread ten cents a loaf and six chickens could be had for \$2.⁽¹⁾ Ale was \$10 a cask; beer from Britain was \$4 a dozen quarts. French wines were equally cheap, and champagne seems to have been the standard drink with meals. Twenty-five pounds of coffee could be had for \$4, so that Europeans could live well in Japan on a beginner's wage despite the shipping distances involved for imported provisions. If anything, the European in Japan lived better than he did at home in regard to clothes, housing and servants. For the very young man, the life in the East was materially a very good one indeed, its main drawbacks being boredom, homesickness and the lack of family life. Most firms

(1) Although the value of the Mexican dollar fluctuated as a commodity on the London exchange, contemporaries often used the figure of 5 shillings to the \$ and \$4 to the £ for convenience.

discouraged, if they did not actually forbid, their clerks to marry until they had at least ten years service. A British diplomat wrote that as far as intellectual growth went a man's age might be reckoned up to the day he left Europe.⁽¹⁾

Operating expenses in Japan were considerably more modest than those at Shanghai or Hong Kong, but the Yokohama office needed almost one thousand dollars a month to pay for its provisions and the wages of its Asian staff.⁽²⁾ This operating expense could often be met from profits made in subsidiary lines of business such as the sale of imports, the insurance of cargoes, the provisioning and freighting of ships sent out East by British shipowners, and the sale of passenger tickets or of freight space on Jardines ships to China. Freight was the most profitable of all of these. The company's steamer, "Fiery Cross," earned \$10,804 on three trips from Yokohama to Shanghai in June and July of 1861. The accounts of two other vessels for which Jardines acted as agents give a good indication of the state of the export trade in 1861. Jardines was allowed the customary 5% commission for loading a cargo, and a

(1) E. Satow, Diplomat in Japan, p. 28.

(2) J.M. & Co., Box Accounts Current, Yokohama 1863.

possible additional 5% if they bought the goods themselves on order.

Cargoes were mixed. The "Chusan," a P. & O. vessel, took vegetable oil, copper, porcelain, mushrooms, tea, silk, planks, lacquer ware and isinglass. The "Henry Ellis" carried a cargo of ginseng and Foling root for Chinese medicines, copper, mushrooms, silk, planks, seaweed, shark fins, saltpetre and dried fish. None of these lines alone, or in total, was the major reason for the firm's existence, but taken together they gave it great stability.

Large profits could be made only in Japanese exports, above all in silk. Insurance business was competed for hotly at Yokohama and a great deal of Jardines insurance was done at their China offices. The demand for freight and for imports was seasonal and depended upon the export of Japanese produce in the summer and autumn. At these times money became plentiful. The passenger business was purely incidental as the P. & O. Line began a regular service to Japan as early as 1862. These lines of business, though small in volume and sporadic in nature, were useful in paying expenses, meeting payrolls and keeping employees and ships busy. Other lines of business were more profitable

but proved to be transitory.

The mixed cargoes of comestibles and medicines for the China Coast which had provided profits in the early years were passing out of British hands by 1862. Although an occasional cargo of rape seed, camphor, vegetable wax for candles, or fish oil for lighthouses could be shipped to Europe at a profit, Japanese produce in general brought only losses on the London market. Silk and, to a much lesser extent, tea were the only Japanese goods in demand. The seaweed, abalone, sea slugs and sharks fins which had given early profits in China were now being monopolized by Chinese traders. They not only had lower operating costs, but were more knowledgeable about changing Chinese tastes which, for example, discerned more than thirty varieties of sea slug alone. These varied in price from \$1.50 to \$30 per picul, so that it became an extremely hazardous market for Europeans to venture
(1)
upon.

Another business that proved temporary was that of banking. The joint-stock bank was still young enough to be a novelty in Britain, but along with its Scottish originators it spread rapidly to Asia. Interest rates

(1) S. Wells Williams, Chinese Commercial Guide, 5th edn. p. 81.

were generally so high throughout the East that the usurer could be easily underbid while still allowing such firms as the Oriental Banking Corporation to pay 3% higher dividends than were allowed by law to domestic Scottish banks.⁽¹⁾ The first branch of a China Coast bank to open in Japan was the Central Bank of Western India which established itself at Yokohama in the spring of 1863.

Prior to its coming foreign traders needing money to buy the Japanese silk which began to come upon the market in quantity in the spring of 1862, had to turn to agency houses such as Jardines. The discount rate for bills from Shanghai rose from its ordinary 2% or $2\frac{1}{2}\%$ to 6% as they bid against each other for loans that summer. Even heavy shipments of dollars from Shanghai failed to meet the demand and the rate remained high.

Forced out of the silk market by high prices, Jardines moved into banking with that flexibility which enabled the agency house system to survive, despite the troubled economic waters of the period. The Firm at Yokohama loaned almost half a million dollars in August 1862 at a profit of \$22,107.⁽²⁾ The money was, for the most part, in short term bills, payable at Shanghai by firms

(1) D. Landes, Bankers and Pashas, London, 1959, pp. 57-61.

(2) J.M. & Co., Yokohama Accounts Current 1862.

whose standing was known personally to Jardines' agent. Usually the money was borrowed against specific shipments of produce and, where a man's credit was uncertain, the actual shipping bills could be demanded. There was thus very little speculation involved and when, occasionally, the Yokohama agent would, if the amount were small and the interest high, make an apparently doubtful loan, this was usually queried sharply from the main office at Hong Kong. It must have been galling for the agent to have to explain his actions like an erring schoolboy, but it kept unsound speculation to a minimum. This caution helped carry Jardines through the London crash of May 1866 which broke three of the five Yokohama banks and brought down many of the trading houses, including Jardines' main rival, Dent and Company.

The bill brokerage slowed in September and Jardines bought only \$104,291 worth that month. This fell to \$30,000 in October as the rate dropped from 6% to 4%. When in November and December with the seasonal slack it resumed its normal level of 2½%, a total of only \$40,000 worth of bills were sold for the two months.

Yokohama, being closer to the mint at Edo, was generally better supplied with Japanese coin than Nagasaki,

(1) Compton Mackenzie, Realms of Silver, London, 1954, p. 96.

so that when the silk market was too high for him to buy within the limits set by his superiors at Shanghai, Jardines' agent could sometimes ship Japanese coin or dollars to Nagasaki. Two extreme examples of this were in October of 1862 when the exchange rate was 240 ichibus per \$100 at Yokohama and 200 at Nagasaki, and in July of 1863 when the rate was 260 at Nagasaki and 238 at Yokohama. It only took a relatively small shipment to balance affairs at Nagasaki where the trade was limited. This speculation had its leveling effect and after the summer of 1863 there was seldom a very profitable difference in the exchange rate of the two ports.

After the arrival of the commercial banks in the spring of 1863 neither bill brokerage nor coinage speculation played an important part in agency house affairs, but two new lines of business had developed in the same period. One was the sale of ships to the Japanese and the other was the purchase of Japanese cotton to help meet the world shortage created by the American Civil War.

The Chinese had taken little interest in foreign ships, but the Japanese took to them early and provided a welcome market for shipowners.

(1) R.O. St. John, Wild Coasts of Nippon, Edinburgh, 1880, p. 365, also Jardines and the East, New York, 1947.

Chapter Seven
THE BOOM IN SHIPS AND COTTON

Ships were of interest to Jardines as some vessels of their fleet were always approaching retirement. Speed counted for more than age for the difference of as little as half an hour with the latest market news could mean fortunes made or lost. Until the telegraph reached China in the 1870's it was vital to have fast steamships. Of these, Jardines bought the best; ships which could leave Calcutta 48 hours after the P. & O. Mail boat and still arrive a day or two ahead of her⁽¹⁾ in China.

To maintain this advantage, the company continually had to buy newer and faster steamers in Britain so that, in addition to selling old vessels, they also sold relatively new ones which had become too slow. When a steamer required a boiler change and needed her bottom scraped, it was often more advantageous for Jardines to sell her and have a fast new ship built in Britain. The Chinese had taken little interest in foreign ships, but the Japanese took to them early and provided a welcome market for shipowners.

(1) H.C. St. John, Wild Coasts of Nippon, Edinburgh, 1880, p. 365, also Jardines and the Ewo Interests, New York, 1947.

Japanese interest in both western sailing and western steamships began almost simultaneously with the arrival of Admiral Perry's fleet in 1853. In August of that year Hizen fief, which was entrusted with the defence of Nagasaki, asked the Dutch about the prices and availability of western ships. They also wished to know whether produce would be acceptable in payment.⁽¹⁾ In the following year, another south-western fief, Satsuma, asked the Government for permission to buy a fleet of twelve western sailing ships and one steamer.⁽²⁾ Both of these fiefs had begun to industrialize in order to increase their revenues. The coastal shipping trade, particularly with steamships, offered a profitable source of income as well as a chance to distribute the produce of local industries.

There was also the question of transporting rice. Peasants paid their taxes in bags of rice which then had to be shipped to market to be realized. It has been estimated that nine-tenths of all Japanese trade consisted in merely moving rice from place to place with losses estimated of up to 50% owing to spoilage, leakage, rodents and transportation costs.⁽³⁾ Even the

- (1) J.A. van der Chijs, Neerlands Streven tot Openstelling van Japan, Amsterdam, 1867, p. 414.
- (2) H. Borton, Japan's Modern Century, p. 33.
- (3) F. Dickens, Life of Parkes, Vol. 2, p. 14.

shortest sea route for rice transport in Japan took twenty days to cover the distance a steamer could do in two. The longest sea route, down the north-west coast and through the Inland Sea to Osaka, took a junk a full year for the round trip, while even a comparatively short run such as that from Sendai to Edo almost doubled the cost of the rice. Heco remembers that the junk upon which he was shipwrecked carried 238 tons, which was about the largest Japanese vessel in those days, so that a western ship capable of carrying 400 to 700 tons was a valuable asset. He remembers how impressed they were when picked up by an American sailing ship, for their junk needed a crew of 16, while the much larger American ship needed a crew of only 11. One westerner referred to Japanese junks as "floating haystacks"⁽¹⁾ which could only sail with the wind.

The Government was apprehensive concerning the power which the fiefs might build up if they obtained new sources of revenue and at first refused them permission to purchase western vessels. Nevertheless, they built ships on their own initiative. Hizen fief is reported as having built a 60 ton "cutter" in 1857;

(1) H. St. John, Wild Coasts of Nippon, p. 376.

Satsuma clan built a not too successful three master in 1858, and the Noto fief built a better one the following year which was used by the Government between Edo and Nagasaki.⁽¹⁾ Under the title "The Foundation of a New Navy" Captain Holmes published a Japanese drawing of a two-masted schooner built at the Samusawa Shipyard, Sendai in 1858 or 1859.

It may be true that the Japanese built western sailing ships and even a steamer without foreign help⁽²⁾ between 1855 and 1859, but it seems very doubtful that this could have been done without some Russian or Dutch help. A Dutch naval mission arrived in 1855 aboard the small paddle-wheel steamer "Soeming" which was presented to the Government. In that year the Dutch set up a maritime training school at Nagasaki which taught men from most of the south-western fiefs. The first naval detachment was relieved by a second in 1857 which came out on the corvette "Japan", a fast new steamship with twelve guns. She was purchased by the Government as were her two sister ships, the "Nagasaki" and the "Yedo". In 1858 the Government bought the Dutch schooner "Theresia" and in the same year were sailing her between Edo and Nagasaki

(1) J.A. van der Chijs, Neerlands Streven tot Openstelling van Japan, pp. 477-491.

(2) T.C. Smith, Political Change, p. 7.

(1) without European help. In 1858 a small screw driven steam yacht was given to the Government by Queen Victoria so that the Government had a fleet of five western steamships as well as several sailing ships before the opening of trade in 1859. At Nagasaki the Dutch Training School was turning out crews for these ships and helping some of the Kyushu clans to start in ship building.⁽²⁾ The Russians also helped, building a schooner for the Japanese in Siberia⁽³⁾ and training Japanese shipwrights when, after the loss of one of their warships in 1856, they had to build another at Nagasaki.⁽³⁾ Hardes, the Dutch engineer who ran a machine shop and repair yard for the Japanese of Nagasaki, is reported as being able to build a complete steamship in 1861. He had a staff of 15 Europeans.⁽⁴⁾

There seems to have been little change in this picture during the first two years of the new foreign trade. The Government maintained its fleet of steamships while its vassal fiefs, particularly in the south-west, were training men at the Dutch sea school, but had only a handful of western-style sailing vessels for them to use.

- (1) The seamanship which took the Japanese-manned "Kanrin Maru" to San Francisco in 1860 is highly creditable, but her navigation was handled by an American naval officer. See J. Heco, Narrative, Vol. 1, p. 237, cf. M.B. Jansen, Sakamoto Ryoma and the Meiji Restoration, Princeton, 1961, pp. 65, 157.
- (2) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 1, pp. 230-231.
- (3) T. Harris, Complete Journal, pp. 238-239, 276, 343, 427, 260.
- (4) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 93, Yedo, 14 August 1861.

Then in January 1861, business took a small but significant turn. From Nagasaki, Mackenzie combined the ordinary news of a small barter of cotton cloth against isinglass with the report that the Japanese had bought the British steamer, "England". She carried 750 tons of cargo, was large, fast and, like all ships on the China Coast, armed against pirates. The purchaser was not the Government but the Satsuma clan.

With the purchase of the "England" the Government's monopoly of steamships was over and, since a ship like the "England" was not only armed but extremely useful as a troop transport, her presence threatened to be a political danger to the Government as well. Her price of \$128,000 demonstrated that some of the fiefs possessed sizable financial resources. As \$8,000 of the price was for "gratification" to the various Japanese officials involved, the vessel may have been bought against Government⁽¹⁾ orders.

The Satsuma clan had taken a long step forward for the "England" was a very modern ship by any standards, and at 1,500 tons was larger than most of the steamers on the

(1) J.M. & Co., Box Nagasaki 1861, K. Mackenzie to J.M. & Co., 23 January 1861. Comparisons are difficult, but a much smaller steamer for the Yangtze River trade was built for Jardines at Hull in 1873 for approximately \$123,000. See M. Paske-Smith, Western Barbarians, p. 223 for other prices.

North Atlantic routes. She was an iron ship, although most of the world's shipping was still of wood and she was a screw steamer when many vessels, including the newly built "Great Eastern," were still operated by paddle-wheels. As with the Baltic, European coasting and Mediterranean trade routes, the narrow seas of the China Coast provided short runs. These meant a smaller load of coals with a correspondingly larger load of freight so that steamships were introduced to the Orient when they were still too inefficient to be profitable in much of the rest of the world.

The presence of the foreign steamers in the Japan trade, in combination with the coal supplies at Nagasaki, was undoubtedly an inducement to the south-western clans to take early to steamships. It is high credit to the Dutch naval mission that its Satsuma students were able to operate the "England" as well as build and use a gun foundry, machine shop and shipyard. The latter training came into use when the clan beached, repaired and painted the "England." This action did much to remove the early Japanese prejudice against iron ships as being too difficult to service.⁽¹⁾ Walsh, Hall & Company's order of five hundred-weight of Peacock's

(1) J.M. & Co., Box Nagasaki 1862, K. Mackenzie to J.M. & Co., 22 February 1862.

Patent Paint for iron ship bottoms and two copies of "Bowditch's Practical Navigator" for some Japanese clients is illuminating.⁽¹⁾

Iron ships fouled their bottoms so quickly as to be six weeks overdue on voyages only six months after a cleaning, and British shipping men were still hotly debating their value; yet on the other side of the world the Japanese were tackling the same problem less than three years after the country had been opened to foreigners.

The "England" was still in service two and a half years after purchase when she was scuttled by Admiral Kuper at Kagoshima, which implies that her machinery was evidently in good condition. She proved too large to be economical in the coasting trade and steamers bought subsequently were smaller. The "England" had been in steady service between Nagasaki and Shanghai for several years before she was purchased, and most Japanese purchases were of similar vessels with which they were familiar. They presumably adopted this policy as some insurance against being cheated. A point they had trouble in judging was when a vessel needed a change of boiler tubes. The charge that the Japanese were sold many old

(1) J.M. & Co., Box Nagasaki 1863, Walsh, Hall & Co. to T. Hunt & Co., 10 January 1863.

wrecks at fancy prices no doubt arose from this gap in their technical knowledge.⁽¹⁾ They quickly learned to overcome this obstacle by hiring Dutch engineers to inspect the ship's boilers on the customary trial run,⁽²⁾ and many contracts after 1862 specified that new boiler tubes should be installed.

The story that the foreigners charged exorbitant prices for these ships seems to be ill-founded. Great profits from the sale of ships are reported by travellers and naval officers in books written for sale at home, but not by the merchants who sold the vessels. By December of 1862 it was already exceedingly difficult for foreigners to sell sound vessels to the Japanese, much less to cheat them with old wrecks. The news that the Japanese were buying ships had brought every available vessel over from China and the market was soon flooded with saleable ships. Most of them had to be sent back unsold as they "do not appear to suit the Japanese,"⁽³⁾ wrote Gower in January 1863. In addition, foreign merchants took great care to warn the Japanese of any

(1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 1, pp. 230-231.

(2) J.M. & Co., Box Nagasaki 1864, Glover & Co. to J.M. & Co., 26 October 1864.

(3) J.M. & Co., Box Yokohama 1863, S. Gower to J.M. & Co., 18 January 1863.

real or imagined faults in their rival's vessels.

Other clans, particularly of the south-west, were quick to follow the Satsuma lead in buying steamers and they bought in considerable numbers. In 1862, purchases seem to have been made equally at Nagasaki and Yokohama, but towards the end of that year the Government began imposing severe restrictions upon the sale of ships at Yokohama. The fiefs were not allowed to send produce for sale or barter at Yokohama with which to pay for steamers and had, therefore, to pay the full price in dollars. As these were still being profitably melted by the Government Mint, they were difficult to come by in quantity.⁽¹⁾ Official interference was such in the winter and spring of 1863 that fief agents who wished to buy foreign steamships could only enter Yokohama in disguise, and the Government forbade the Choshu fief from hiring Jardines engineers to teach them to operate the company's steamer "Lancefield" which they had purchased in November 1862.⁽²⁾

By 1863, the Dutch-trained clans close to Nagasaki, such as Satsuma or Saga (Hizen), could furnish complete crews for each new ship purchased but others, such as

(1) J.M. & Co., Box Yokohama 1862, S. Gower to J.M. & Co., 1 September 1862.

(2) J.M. & Co., Box Yokohama 1863, S. Gower to J.M. & Co., 21 January 1863.

Choshiu, still needed foreign help and the Government interference made this difficult to obtain. There were enough accidents in those days, even with trained crews who often exploded boilers by firing them without sufficient water.⁽¹⁾ A Jardines steamer purchased by Satsuma was run upon a rock in the Inland Sea hardly a month after her purchase. The intrushing water blew up her boilers and it was reported that her captain promptly beheaded the pilot.

This Government interference probably arose out of jealousy of the growing clan fleets. At all events, it did not make for good relations between them. Jardines' Yokohama agent wrote that some Satsuma and Choshiu samurai had, "Caught a Custom House officer a short time since out of his proper limits and at once twisted his head off; and they say they will do the same to any others they can get hold of in revenge for the continual difficulties and annoyances they met with in making their purchases."⁽²⁾ The truth of the story is questionable, but the sentiments it evidenced were real enough and, as a result of these troubles, the business in ships shifted almost entirely to Nagasaki. Here the Government was

(1) H. Borton, Japan's Modern Century, p. 75.

(2) J.M. & Co., Box Yokohama 1863, S. Gower to J.M. & Co., 7 January 1863.

almost powerless to restrict the clans as the defence of this city was left entirely to troops of the south-western clans and there was only a token detachment of 300 Government soldiers at the Port. The fiefs could also get more favourable terms at Nagasaki where, lacking the silk trade at Yokohama, the foreigners were willing to barter ships against the coal, wax, tea and other bulk produce which made up their export trade.

The business in ships was considerably larger than has often been supposed.⁽¹⁾ The list of ships sold and their prices mentioned in business archives, although by no means complete, shows a considerable volume.

In 1861, four ships were reported sold at a total of \$222,000; five were sold the following year, the prices of four of which totalled \$344,000. The next year of 1863 brought the sale of vessels at Yokohama alone to almost \$1,000,000, while at least eleven vessels were sold in 1864 at \$1,193,000 and fourteen in 1865 at \$879,500. In 1866 the price of vessels sold is recorded at \$1,273,100⁽²⁾ and the following year a reported

(1) cf. M. Paske-Smith, Western Barbarians, pp. 222-223, also T.C. Smith, Political Change, p. 9 reports that in 1867 the Government owned 44 western-style vessels and the combined fiefs owned 94.

(2) Figures compiled from J.M. & Co. and Foreign Office correspondence for the period.

(1)
twenty-two vessels were sold for \$1,163,988.

In terms of money this trade was often more important than that in imports. Perhaps equally important were the barter arrangements involved, as they enabled both foreigners and Japanese to carry on a trade in spite of Government restrictions. In 1860 foreigners had despaired of the future at Nagasaki and looked upon it merely as a stopping off place until the anticipated opening of Osaka. Now they found they could do a sizable trade at the port. In 1866, the first year for which accurate figures are available for the port of Nagasaki, records show imports, including arms and ships, valued at a total of \$3,936,436 while exports amounted to some (2)
\$2 million.

This was only about one third of the trade at Yokohama, but it was a respectable total for a port which had no silk and was far from the tea districts. For the local fiefs this barter trade in ships was important as it enabled them to transact business with foreigners, a

(1) F. Dickens, Life of Parkes, Vol. 2, p. 107. Although not listed in annual trade figures at this time, the sale of used vessels abroad must have contributed sizably to Britain's invisible earnings. See A.H. Imlah, "The Balance of Payments".

(2) Parl. Papers, Vol. LXVIII, 1867, (Cd. 3940) p. 507, Parkes to Stanley, Yedo, 16 March 1867.

(1)
privilege denied them at Yokohama. With the vessels they could establish a profitable coasting trade, while at the same time increasing the effectiveness of their military power for the mountainous terrain and poor road system of the island empire made the possession of troop transports exceedingly important. The Government had let its early lead in the possession of steamships lapse so badly that in the summer of 1863 they were forced to charter foreign ships to transport their troops from Edo to Osaka.
(2)

The Government was not entirely blind to this situation and became concerned about the growing fleets of the south-western fiefs at an early date but, in trying to meet the challenge, it was frustrated by the manoeuvres of foreign diplomats. At Nagasaki the fiefs were buying merchant ships which were useful in trade or as troop transports, but of little value as warships. They carried a few light cannon for use against pirates but could not stand the recoil of any sizable armament; a fact which the clans were quick to discover experimentally.
(3)

(1) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) p. 241.
Alcock to Russell, Yokohama, 15 October 1864.

(2) A. Roussin, Une Campagne sur les Côtes du Japon, p. 96.

(3) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 1, p. 230.

The Government decided that although it would buy one or two steamships, it would reserve its main expenditure for newly built warships. These would give it a decisive advantage over its vassals as well as putting it into a stronger position to withstand foreign pressure. This was bad news for the British merchants at Yokohama for the Government, having driven the clan business in ships to Nagasaki, now intended to purchase vessels directly from Europe and America.

In this it encountered trouble for the assassination of foreigners had made the western governments loathe to see any sizable armaments delivered to Japan and, although the attacks had come from the Japanese fiefs, it was the Government which suffered. Two months after Satsuma purchased the "England" the Government approached both the British and French ambassadors seeming "very anxious to have a steam navy," but neither the British nor the French Governments were prepared to allow any warships to be delivered until the Japanese Government adopted a more friendly policy towards foreigners. The murder of the Englishman, Richardson, by Satsuma samurai in 1862 and the Choshu clan's firing on foreign vessels in 1863 extended this refusal.⁽¹⁾ Claims that Dutch and American

(1) Japan Corres., F.O.391, Vol. 1, Alcock to Hammond, Yedo, 21 March 1861.

diplomats, particularly Townsend Harris, had influenced the Japanese to be anti-British and prevented them from ordering British ships are thus false.⁽¹⁾

It was only after it had been refused by both Britain and France that the Government turned to the Dutch and the Americans. It did them little good for both of these nations seem to have joined in the embargo.⁽²⁾ The Dutch did accept an order for a frigate in 1861. They built a fine ship but did not deliver it until 1867 when the troubles with foreigners had been settled. In October 1862 a contract for three warships was placed in America, but President Lincoln also delayed delivery owing to Choshu clan's attack on an American vessel in 1863.⁽³⁾ The Government's attempt to build a navy was defeated by its own failure to punish clan attacks on foreigners. It was also defeated by its failure to state openly that, once purchased, these warships would not be used against their builders.

Failing in its efforts to purchase warships directly

- (1) F. Dickens, Life of Parkes, Vol. 2, p. 25.
M. Paske-Smith, Western Barbarians, p. 143.
J. Black, Young Japan, Vol. I, p. 406.
- (2) W.M. Mansvelt, Geschiedenis van de N.H.M., Haarlem, 1924, Vol. 2, p. 385.
- (3) P.J. Treat, Diplomatic Relations Between the United States and Japan 1853-1895, Stanford University Press, 1932, Vol. 1, pp. 140-141.

from western shipyards, the Government did buy a few merchant ships at Yokohama, but this business did not help British merchants very much as several of these transactions were handled through foreign diplomats. The honest Harris had gone home in 1862. His successor, General Pruyn, arranged for the sale of a large steamer to the Government for a local merchant. Pruyn's commission was said to have been \$25,000 of the \$200,000 sales price. What the Japanese officials who handled this transaction received by way of "gratification" is unknown, but political deals such as this may well be the basis for the story that the Japanese were sold old ships at high prices.

British merchants at Yokohama complained bitterly of this transaction, as they did when the Dutch Minister arranged for the sale of another vessel. The French(?) Minister is also said to have arranged the sale of several ships in 1866.⁽¹⁾ However, the same letter that complained of the action of the Dutch Minister in recommending the purchase of a vessel to the Japanese Government noted that two of Jardines' ships were to be favourably recommended to that same Government by the British Minister.⁽²⁾

(1) J. Black, Young Japan, Vol. 2, p. 61.

(2) J.M. & Co., Box Yokohama 1866, Hope to Keswick, 11 August 1866.

In the case of Pruyn, it is probably true that a personal profit was involved in the deal, but there is no evidence that the British, French or Dutch Ministers did more than recommend what they knew to be good ships on the request of the Government itself. It would be inclined to seek such information as the steamer sold to them by Pruyn had broken down on its first voyage without even clearing Edo Bay.

With the exception of Britain and France, the treaty nations were usually represented by Consuls who were themselves local businessmen paid out of the port fees they collected. These men were sometimes the subject of complaints because they occasionally used their official position to aid their private speculations in business or real estate. Alcock had written to the British merchants that they should be glad that their diplomats did not take this active personal interest in business.⁽¹⁾ However, the opposite would seem to be true as a trading Consul or an interested Minister, unlike Alcock, was of necessity concerned with the expansion and prosperity of trade.

At the treaty ports there was a fairly clear division between British Consuls and the trading Consuls

(1) R. Alcock, Capital of the Tycoon, Vol. 2, p. 451.

of other nations; but it was far less easy to define the categories to which the various ministers belonged.

Although Alcock did not take an active financial interest in trade, he had accepted a large financial benefit from the Japanese Government through the official rate of exchange, and this was open to an even worse interpretation.⁽¹⁾ His successor, Sir Harry Parkes, invested in various of Jardines' enterprises and was thus interested in commerce.⁽²⁾ The Dutch Minister was officially both a diplomat and the head of the Netherlands Government Trading Corporation, so that the discussions which centred about trading diplomats seem to have been more of an outlet for a show of chauvinistic righteousness than a valid cause for complaint.

The Government's attempt to buy warships directly from western shipyards and the sale of merchant vessels arranged by diplomats meant that British merchants at Yokohama were largely deprived of a trade which was proving profitable to their colleagues at Nagasaki. But Yokohama merchants still dominated the silk trade and most of the short-lived boom in Japanese cotton also passed through their port. The sale of ships which became

(1) E. Satow, Diplomat in Japan, p. 26.

(2) J.M. & Co., Box Shanghai 1866, Keswick to Whittall, 3 March 1866.

a steady trade at Nagasaki had only been important in Yokohama in 1862. Its place was taken by cotton in 1863 as Government restrictions drove most of the business in ships to Nagasaki.

The cotton boom came with surprising suddenness and threw a good deal of light onto the capacity of the Japanese economy to expand its export production. In March 1861, Alcock wrote to the Government asking it to lower its import duty on raw cotton so that cotton imported from China could ease the current season's
(1) shortage in Japan. Cotton was then imported from China, but it did not sell perhaps, as Jardines' agent complained, because Edo businessmen had cornered the domestic market
(2) in order to raise the price. A few piculs were sold at \$8.50 each, but the bulk of Jardines' shipment of 900 bales had to be returned to China with the loss of \$2,010 that had been paid in import duty. Much battered by its travels, it was sold at Hong Kong in July at a
(3) further loss of \$1,287.

In far-off America the Civil War had begun in the

- (1) Japan Corres., F.O.262, Vol. 465, Alcock to Japanese Foreign Ministers, Yedo, 18 March 1861.
- (2) J.M. & Co., Box Yokohama 1862, Keswick to J.M. & Co., 12 March 1862.
- (3) J.M. & Co., Account Book, "Produce Sales", Hong Kong, 1862.

spring of 1861, and by late 1862 the Federal naval blockade of the southern cotton states was almost complete. Britain's most important single industry was cotton cloth made from American cotton and imports fell disastrously. From 2,579,759 pounds in 1860 they dropped to 1,841,643 in 1861 and then, as the blockade became effective, fell to 72,369 in 1862.⁽¹⁾ Substitute cotton supplies were sought all over the world in India, Egypt, Brazil, China and Japan. At Yokohama, cotton which had been unsaleable to the Japanese at \$8.50 a picul in June was being bought from them at \$16 a picul in December. In Britain, speculators bought, sold and re-sold cotton as many as fifty times without it ever leaving the warehouse.⁽²⁾ Soup kitchens were set up in Lancashire and at Yokohama the British merchants sent home a contribution of £558 for the relief of unemployed mill hands.⁽³⁾ In Japan, the price of cotton rose rapidly reaching \$33 a picul in January 1864, having almost quadrupled in eighteen months.

Japan which had imported cotton in 1861, exported some 9,987 bales in the season (1 July to 30 June) of

- (1) J.M. & Co., Box Prices Current, Barber & Co. Monthly Price List.
- (2) D. Landes, Bankers and Pashas, p. 70.
- (3) J. Black, Young Japan, Vol. 1, p. 222.

1862-63, and increased this some eight times in the following season to reach 72,551 bales.⁽¹⁾ In the 1864-65 season the Federal armies in America finally began to win battles, and with each victory the price of cotton fell on the Liverpool Exchange.⁽²⁾ The boom died as quickly as it had arisen, and in the 1865-66 season Japan was once again importing cotton on a small scale.⁽³⁾

This cotton export is notable for two things. The first was that Japan had a large unused capacity to produce and could export agricultural produce without creating a domestic shortage. A Japanese writer noted that in the 1863-64 season which was the peak of the export, the domestic price of cotton was not higher but lower than it had been in 1860-61 or 1861-62.⁽⁴⁾ The second point, and that which boded most optimistically for foreign trade, was the speed with which Japanese farmers could meet a large demand for export.⁽⁵⁾ This was a vital point for,

- (1) M. Paske-Smith, Western Barbarians, p. 217.
- (2) J.M. & Co., Box Shanghai 1865, Keswick to Gower, 16 February 1865.
- (3) Parl. Papers, Vol. LXVIII, 1867, (Cd. 3940) p. 506, Parkes to Stanley, Yedo, 16 March 1867.
- (4) K. Yamaguchi, Bakumatsu Boekishi, p. 231.
- (5) Chinese and Japanese Repository, 3 December 1863, p. 279.

although the sale of imported textiles, of ships and of banking, insurance or freight services returned reasonable profits, foreign trade in Japan could only prosper from its two major exports, tea and silk. If the cotton export was any evidence of unused agricultural potential, then these products too should be capable of rapid expansion, for Japan apparently had a large surplus of both land and labour.⁽¹⁾

Being off season work, tea and silk production was performed mainly by women and children. Unlike cotton they did not compete with rice and other food crops for the farmer's attention. The problem was not one of land or labour but of politics. As a Jardines' official had written of Japan in 1860, "Silk exists and in large quantity, though whether political disturbing causes will allow it to be forthcoming is left to conjecture."⁽²⁾ Upon this conjecture depended the growth or stagnation of the Japan trade.

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 374, also R. Fortune, Yedo and Peking, p. 286.

(2) J.M. & Co., Box Hong Kong 1860, J.M. & Co. to Matheson & Co., 25 August 1860.

Chapter Eight

TEA AND SILKS

For the foreigner the Japan trade meant tea and silk. When these two were available trade prospered. The cotton boom was fleeting and over in less than two years. Copper, which had been a traditional Dutch export before 1859, was either under a Government embargo of varying effectiveness, or offered with a Government tax of \$8 a picul upon it which made it too expensive to compete with Indian varieties.⁽¹⁾ Coal was a useful export at Nagasaki but often of poor quality.⁽²⁾ Tea and silk were the only Japanese products in general demand. Japan silk was in strong demand because of its intrinsic quality and because of the destruction of European silk production by disease. Japan tea held a far less stable market.

Early hopes had been high for this trade and a Japanese delegation told New York tea importers in 1860 that the tea districts of Japan "were very extensive and that the production might be indefinitely extended."⁽³⁾

(1) J.M. & Co., Box Hiogo 1868, Glover & Co. to J.M. & Co., 1 March 1868.

(2) R. Alcock, Capital of the Tycoon, Vol. 2, p. 78.

(3) J.M. & Co., Box Printed Miscellaneous, Cutting from "The New York Journal of Commerce" dated 23 October 1860.

This seems to have been true, for tea plants occupied hillside land unsuitable for rice paddies and the work was mostly done in spare time by farm women and children. The second season of open trade in 1860-61 saw Japan's tea export reach some 10,000,000 pounds⁽¹⁾ divided almost equally between Nagasaki and Yokohama. This was not a large figure compared with China's annual export of about 80,000,000 pounds, but it was impressive for a nation which had had no export whatever two years before. Some early experiments were encouraging. Dent and Company shipped some Nagasaki teas to London in 1859. They had cost from \$12 to \$16 a picul and sold in Britain for between \$40 and \$60 a picul. Walsh, Hall and Company shipped some Yokohama teas that same year at about the same prices.

Early hopes were disappointed. Prices rose sharply so that by the second season good teas were costing not \$12 or \$16 but \$24 to \$30 a picul. By September 1860, Jardines had shipped and sold Japan teas in London and were reporting the results as so discouraging that their Yokohama agent was ordered not to ship teas he had bought but to sell them on the spot. Japan teas were not going to

(1) J.M. & Co., Box Hong Kong 1861, J.M. & Co. to Matheson & Co., 15 January 1861.

become a large item in export to Britain unless they
 (1)
 became much cheaper.

In spite of the large China production, the growing output of India, and an import duty of 200% which provided
 (2)
 one quarter of Britain's total customs revenue in 1860, there was an ever increasing demand for tea from which Japanese production could profit. In meeting this demand from Japan there were several difficulties quite apart from those of cost.

The first and simplest problem was that of nomenclature. Early English tea buyers in China had found that the actual names of Chinese teas often translated into such titles as Imperial Concubines Eyebrows. Another was found by a missionary linguist to make a rather specific reference to the mating function in springtime. Such names would obviously not do in Britain where tea-drinking was being advertised by the non-conformist churches as a substitute for gin. Teas had to be left with their Chinese names untranslated, as with Twankay or Congou,

- (1) J.M. & Co., Box Hong Kong 1860, J.M. & Co. to Matheson & Co., 27 September 1860 and 22 August 1860, and Box Yokohama 1860, Keswick to Whittall, 3 October 1860.
- (2) A. Michie, Englishman in China, Vol. 1, p. 180. R. Alcock, Capital of the Tycoon, Vol. 1, p. 373. For customs revenue see the "Annual Statements of Trade and Navigation" for the United Kingdom.

or given names more suitable to nineteenth century British tastes, such as Imperial or Gunpowder. Although Japan teas differed markedly from Chinese varieties, early buyers arbitrarily named them after the Chinese variety which they most nearly resembled. This was unfortunate, as it brought Japan teas onto the London market with the handicap of having to resemble the familiar Chinese varieties rather than to be judged on their own merits. In contrast to the good strong colour of China teas, the Japan Greens turned a very weak yellow in the cup.⁽¹⁾ The British housewife was no connoisseur of taste, but she did know what colour tea should be and was as difficult to shift in her buying habits as any Chinese peasant.

Another difficulty was with the customs duty. In contrast to British taste, both Canada and the United States preferred Japan Green Teas. If shipped directly from Japan to North America no United States customs duty was charged. However, if shipped first to China and then to the United States there was a U.S. duty, in addition to which there was an export duty to pay in Japan and an import duty to pay in China. Only a part of the latter

(1) H. Gribble, "The Preparation of Japan Tea", Transactions of the Asiatic Society of Japan, Vol. XII, Yokohama, 1885, p. 24.

was refundable, for the duty was paid by weight and if re-fired in China the tea lost up to one fifth of its weight and duty was paid back on the lesser amount.⁽¹⁾

In an effort to ship directly to the American market without these customs duties or weight losses, Jardines set up one of the first tea-firing plants in Japan in the spring of 1861. In another effort to defeat the high level of U.S. wartime customs, they took considerable care to label Japanese teas as being of Chinese origin.⁽²⁾

Tea was a spare time occupation on the Japanese farm. In spring and late summer the two crops of leaves were picked by the women and children of the farm and dried over a fire by the farmer in his dooryard. These small quantities were bought up and mixed by a travelling buyer who delivered them for sale at Yokohama. Prepared this way tea was perfectly suitable for use in Japan where it would be consumed within a few weeks of the firing, but such casual preparation did not fit the tea for the long trip to Europe or North America. There was almost always too much moisture left in the leaves so that without an additional firing it was usually ruined

(1) J.M. & Co., Box Hong Kong 1861, J.M. & Co. to Matheson & Co., 15 January 1861.

(2) J.M. & Co., Box Shanghai 1861, J. Whittall to J.M. & Co., 21 March 1861.

(1)
 by mould on the voyage. This second firing added an additional \$7 a picul to the already high cost of
 (2)
 purchase. Although Chinese teas sometimes needed re-firing at Shanghai, this expense was much more common in Japan because foreigners were not allowed to leave the treaty ports and go into the tea producing districts to purchase teas that had been properly prepared by the
 (3)
 farmer.

It took three years for tea plants to come to bearing age, so that in addition to the extra expense of re-firing the tea they were also plagued by poor quality, as the Japanese attempted to meet the demand with inferior stock before the new plantations came of age to be harvested. At the beginning of the third season Jardines' agent was complaining that "the new tea had evidently been hurried on for the foreign market without scarcely any care being taken in the manipulation or curing of the leaf and it is the general opinion that the teas will lose their condition in the course of two
 (4)
 or three months."

- (1) H. Gribble, "Preparation of Japan Tea", p. 26.
- (2) J.M. & Co., Box Account, Yokohama Cash Book 1860.
- (3) J.E. Orchard, Japan's Economic Position, New York, 1930, p. 107 also R. Murphey, Shanghai, p. 70, p. 108.
- (4) J.M. & Co., Box Yokohama 1861, Hope to J.M. & Co., 12 May 1861.

The new tea-firing plant met some of these complaints, but the firing itself weakened the strength of the teas and bleached them so that the addition of artificial colouring became necessary.⁽¹⁾ It was a simple enough process so that it could happen both in Japan and again in Britain where the British grocer, already quite familiar with the profitable results of adding iron filings, used tea leaves and bits of shrubbery from his back garden,⁽²⁾ was also tempted to make up for a weak-looking or poor brand of tea by adding an excess of artificial colouring. None of these things helped to establish Japan teas in the British market.

Jardines gave the enterprise a thorough trial. Their tea-firing godown at Yokohama employed several hundred Japanese women heating, packing, and sorting teas under the supervision of an indispensable Chinese foreman who had to judge when the teas were ready and to separate them into the various grades or "chops." The women came to work with their infants strapped upon their backs and sang as they worked. The mixed sound of wailing infants, shouting Chinese, singing women and the clattering of hundreds of iron heating pans all wafted out onto the

(1) H. Gribble, "Preparation of Japan Tea", p. 26.

(2) J.M. & Co., Box Printed Miscellaneous, Undated cutting from the Sydney Daily News.

street upon the rich aroma of roasting tea, was one of the most vivid memories that foreigners took away from the treaty ports.⁽¹⁾

In contrast to Britain and Australia, Japan teas early became the favourite in North America, to which the bulk of Japan's roughly 10,000,000 pounds annual export was sent. This quantity was divided about equally between Nagasaki and Yokohama, varying from year to year but showing no marked increase in the 1860's. Jardines persevered throughout the decade, but questions of price and quality continued to keep Japan teas from breaking down the long established tastes of the British market, and most of Jardines' shipments went to a tea broker in New York. Japan tea production remained more or less constant with its sales mostly confined to North America, although it was also mixed with Chinese and Indian teas for the British market. It returned small but steady profits to Jardines. In quite another category was silk.

Like tea, silk had risen rapidly in price. In January 1859, before foreigners had even learned the varieties of Japan silk and still referred to it as "the whitish kind," "the yellow kind," or "similar to the white muster per 'Nora' but not quite so good," Keswick

(1) H. Gribble, "Preparation of Japan Tea", p. 12.

had been able to purchase some fine silk for \$240 a picul. A year later the same silk was selling for \$520 a picul. Perhaps because of the rapid increase in the quantity brought to the Yokohama market the price was to remain at about this level for the next three years. As had been the case with cotton, the increase in silk sold for export was remarkable and seemed to bear out Alcock's reports in the springs of 1860 and 1861 that Japan had an "enormous surplus" of silk whose export could be increased ten times without creating a domestic shortage.⁽¹⁾ It also would indicate that Japanese merchants were accepting dollars very freely in payment rather than insisting on Japanese coin. Allowing for a certain exaggeration there was, nevertheless, a fairly large slack in Japanese production, and this surplus was available for export. It seems truly to have been an economy running at half speed.⁽²⁾

It took two and a half years for mulberry bushes to mature enough to feed silk worms so that in addition to any existing surplus, by the season of 1862-63 the new plantations put in to meet the foreign demand would have matured, and silk production began to rise on this

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 374, Vol. 2, p. 387.

(2) N. Skene-Smith, "Tokugawa Japan", pp. 2-3.

account. It is, of course, possible if not probable that the same Japanese farmers who were willing to go to the heavy labour of rearing cotton for export might have ignored tea and silk, even though these utilized less valuable land than cotton and only employed the spare time labour of his women and children. If this were true for the first four seasons of foreign trade then, as one writer suggests, the very heavy export of 1862-63 may have meant that current domestic supplies as well as stockpiles of old silk were all sold off to (1) foreigners during the war scare that season.

However, by 1864 when some of the foreign consuls had learned to read and speak Japanese proficiently, they began reporting the annual increase of mulberry (2) and tea plantations and it seems likely that this increase began almost simultaneously with foreign trade in 1859. The export figures of Japan silk would bear this out. The trade was confined almost entirely to Yokohama where the export in the first season of July 1859 through June 1860 amounted to some 5,000 bales of roughly 103 pounds each. In 1860-61 this had risen to

(1) E. de Bavier, La Sériciculture et l'Industrie de la Soie au Japon, Lyon, 1874, p. 67.

(2) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) Commercial Report for Japan, Gower to Alcock, Nagasaki, 3 January 1865, enclosure in Alcock to Russell, Nagasaki, 3 January 1865.

12,000 bales; in 1861-62 it was some 18,000 bales; and in the season of 1862-63, by which time any new mulberry plantations would have matured, the export amounted to 26,000 bales. (2) A French silk firm at Yokohama estimated the total Japanese production for home and export use of the 1861-62 season at 113,000 bales. (1)

After some thirty years or so of trade with Britain, all of China was only exporting about 70,000 bales a year; this total from Japan after only four seasons was, therefore, staggering. (2) When for 1863-64 an increase of 10,000 bales over even this record output was predicted, business hopes soared. (3)

In 1863, Colonel Neale, then acting as *Chargé d'Affaires* during Alcock's home leave, forwarded a cutting from a Yokohama paper which announced that as silk "is the most costly of all commodities with the exception of gems and precious metals, we cannot refrain from enlarging upon the growing importance of a country which

- (1) Archives, *Corres. Commerciale*, Vol. 2, de Bellecourt to Ministry, No. 132 of 1 February 1862, No. 152 of 14 April 1863, Vol. 3, *Commercial Reports* on pages 351 and 381, also R. Fortune, Yedo and Peking, p. 285.
- (2) Japan *Corres.*, F.O.46, Vol. 49, Memorandum on Lord Grey's Resolutions, F.O., 1 July 1864.
- (3) J.M. & Co., Box Yokohama 1863, Keswick to Whittall, 3 June 1863.
Japan *Corres.*, F.O.46, Vol. 37, Neale to Russell, Yokohama, 14 October 1863.

has in so short a time, increased its capabilities more than fourfold with every appearance of further progress."⁽¹⁾ Local journalists were not the only ones impressed by this dramatic increase and settlers flocked to Yokohama. In August of 1859, Michael Moss had found only two British merchants at the port with the entire foreign community less than a dozen. Although Heco reports settlers flocking in during September and October, Alcock listed the merchant community as only some twenty men of all nations in mid-November. By 1863 there were three hundred foreigners at Yokohama. This number of actual residents was dwarfed by almost five thousand Anglo-French soldiers and sailors brought there not only by political troubles but, as the merchants wryly remarked, by the favourable exchange rate.⁽²⁾ "Never were such times for soldiers and sailors as those spent in Japan during the years 1862 to 1866," wrote a Yokohama editor commenting upon the exchange and amazing multiplication of the grog shops it had brought with it.⁽³⁾ The soldiers and sailors flooded the town with Japanese coin, easing the exchange problem for the new silk men who were plunging heavily

(1) Chinese and Japanese Repository, 3 December 1863, p.278.

(2) J.M. & Co., Box Yokohama 1864, S. Gower to C.S. Hope, 28 September 1864.

(3) J. Black, Young Japan, Vol. 1, p. 264, p. 279.

on the market. Jardines which had done well in Japan silk in its first four seasons now began to meet heavy competition, both genuine and speculative.

Commenting upon its early sales in Europe, a Jardines partner wrote, in the same letter as that in which he deplored the losses on Japan tea, that Japan silk had done very well.⁽¹⁾ It contained less gum than Chinese or European varieties and hence absorbed dyes, particularly the black dye then fashionable in France, much more evenly. By 1862 this commodity was in large demand in Europe and in June of that year alone, Jardines shipped 700 bales from Yokohama stopping only when out of funds. "The remittance of \$150,000 Mexican and the \$10,000 Carolus⁽²⁾ was not sufficient, even with the \$25,000 per 'St. Louis' to meet my requirements," wrote the Yokohama agent, "the whole lot being disposed of in a few hours only after landing and I am again without a dollar."⁽³⁾

In contrast to early tea cargoes, some of these silk shipments were very profitable. The 313 bales that Jardines

- (1) J.M. & Co., Box Hong Kong 1860, J.M. & Co. to Matheson & Co., 22 August 1860.
- (2) "Carolus" is an older Mexican silver dollar of the colonial period and bearing the head of the monarch Charles, rather than the Eagle of Republican Mexico.
- (3) J.M. & Co., Box Yokohama 1862, Gower to J.M. & Co., 20 June 1862.

shipped to London per "Ottawa" in February 1862, returned a profit of \$47,940, while a shipment of 110 bales in May brought the firm a profit of \$11,326. The price of good Japan silk had remained steady at about \$500 a picul for the first three seasons, but about half way through the fourth season of 1862-63, the rising demand and the increasingly speculative nature of the London market finally began to outstrip the increasing supply in Japan. On December 10, 1862 Gower wrote to his Shanghai office that the home mail of October 10th, just arrived, "has had such an effect on purchasers that this morning the silk market opened at fully \$20 to \$25 higher."⁽¹⁾ By the month's end, it had jumped another \$20 per bale as many of the commission houses received orders to buy without any fixed price limits. They went on bidding each other up and, as Jardines' agent could only buy within limits set by the China offices, he soon found it "quite impossible to do anything in the market even for the lower qualities you speak of, for Messrs. Maine & Co., Fletcher & Co., George Barret & Co., and Wilgoss & Hughes, seem to be running against each other as to who shall pay the highest."⁽²⁾

(1) J.M. & Co., Box Yokohama 1862, Gower to J.M. & Co., 10 December 1862.

(2) ibid., 31 December 1862.

Men put on their knee boots and tramped through the muddy streets at first light to the houses of the silk dealers, and did so again at noon to see if any further shipments had come down from Edo. Rising prices on the home market brought new buyers from Europe by each mail ship. Many of them had never even seen raw silk and only a few knew anything about it. Japanese silk was of many grades and each mountain valley seems to have produced a distinctive variety.⁽¹⁾ The newcomers were so eager to buy and ship silk that much of it was bought and shipped without ever being opened for inspection. Other lots are said to have been inspected at night in dark godowns by the light of a single lantern.⁽²⁾ The temptation quickly proved too much for the Japanese, and the hitherto fine quality of Japan silk deteriorated rapidly as dealers mixed good grades of silk with inferior qualities, filled the centres of the bales with sand or stones and even used excessively thick paper wrappings to make the bales heavier upon the scales.

The established firms were hit hard by the influx

(1) Even as early as the winter of 1862, the quality of Japanese export silk was beginning to deteriorate, and an expert was needed to judge it. Circular of Rem. Schmidt & Co., in Archives, Corres. Commerciale, Vol. 2. Enclosure in No. 132, de Bellecourt to Ministry, Yedo, 1 February 1862.

(2) E. de Bavier, La Sericiculture au Japon, pp. 59-60.

of newcomers. There were seven or eight major varieties of Japan silk, and men like Keswick of Jardines who could open a one hundred pound bale and sort into two or three quality grades the hundreds of small hanks of which it was composed, now found their skill and experience largely useless. They were forced to keep up with the rising market or be forced out entirely. For a time the older houses tried to use their knowledge profitably by buying up the cheaper grades of silk which showed a wider profit margin and by utilizing their Japanese business connections in the interior to buy silk on contract at slightly below the Yokohama market prices. Neither of these devices, however, gave more than a fleeting advantage.

In a rapidly rising market, the Agency House system had certain drawbacks. The firm's insistence upon the submission of a regular and complete correspondence from its agents built up a tremendous system of business intelligence. This combined with its own fast mail steamers gave it a strong advantage in the market, but the system worked slowly. Against the long term stability provided by a central control from Hong Kong, had to be set the interim losses made at local agencies which could not operate in a rising market until their buying price limits

had been raised by their central office. This office was primarily interested in the South China trade with India and England. It often seemed to show little more concern for its distant branch at Yokohama than to complain if it did not show a profit. All correspondence regarding the sale of Japan produce in London went first to Hong Kong and frequently got no further. Many months might elapse after the news of a sale of tea or silk in London had reached Hong Kong before the information was sent on to Yokohama and at times the Jardines agent was reduced to wheedling market information⁽¹⁾ out of competitors over the club bar.

Silk continued to rise in price, reaching \$720 per picul by the summer of 1865. By that time a good share of the market had slipped away from the Agency Houses such as Jardines. The market had been upset by amateur speculators hoping to get rich quickly in the silk trade. They had run up prices in a short speculative boom and then, often becoming bankrupt, were heard from no more. There were also men who had brought money East to invest in cotton and, being caught by the sudden slump in demand for that commodity, had invested in silk as a means of returning their funds to Britain. Although the speculators

(1) J.M. & Co., Box Yokohama 1863, Gower to J.M. & Co., 21 January 1863.

were usually short-lived, other more serious competitors were coming East.

In 1869 Japanese girls were reported as working very quickly but being more interested in the quantity rather than the quality of the silk they reeled. Power looms for weaving silk patterns demanded a fairly strong and consistant strand of silk. Jardines' silk buyer, young Mr. Hope, - who, as his superior complained, got on so well with the Japanese that he hardly ever appeared in the office, - wrote of the 1865-66 silk that "even the best parcels are much mixed and cased and this not only the skeins in each muddle that are mixed, but the skeins themselves contain silk of various sizes and I fear great dissatisfaction will be expressed by European purchasers."⁽¹⁾ In this he was perfectly correct. The poor quality silk did not suit the power looms of Lyons. In addition the silk worm disease which had been ravaging European production for some ten years, was at its worst in the mid-sixties when almost the entire French and Italian crops were destroyed. The decline in quality in Japan shipments and the disease in Europe brought skilled silk men out to buy directly for their home concerns.

In China, Jardines profited from the situation by

(1) J.M. & Co., Box Yokohama 1865, Hope to J.M. & Co., 26 July 1865.

engaging one such man, John Major, an Englishman whose silk reeling plant in Italy had been closed down by the silkworm disease, to set up a silk filature plant in Shanghai for the reeling of Chinese silk cocoons. In Japan, however, the firm lost business. Silk buyers from France and Italy knew exactly what their clients needed and in 1865 with the coming of the French Mail line to compete with the P. & O. ships, more and more Japan silk was bought by French buyers and shipped by the French Mail ships to Marseilles. In contrast to bulk cargoes like Japan tea which usually went by the slowest and cheapest sailing vessels about the Cape and then on to London or New York, silk was valuable enough to be sent by steamer to Suez, be transported by rail across the Isthmus, and then by steamer again to London. The anomalous position of French manufacturers who had to buy silk in London and then bring it part of the way back again to Lyons made direct shipments to Marseilles inevitable. Britain's domestic silk industry was in a long decline accentuated by Cobden's free trade treaty of 1860 with France but, although Jardines lost some of its silk business to French and Italian buyers and London lost some of its silk market to Marseilles, British firms, the P. & O. and the London silk market still handled the bulk

of Japan's silk during the decade. In British eyes the situation was extremely promising.

In February of 1863, Charge Neale had written that the Japan trade had increased three times in three years and that the certainty of further increase made its future a bright one.⁽¹⁾ Summing up the first six months of 1863, he had written of "the astonishing degree of progress which that trade has reached during the very period when the situation of affairs has been more menacing than at any previous period."⁽²⁾ With approval he had then sent along a newspaper cutting which proclaimed "few examples in the commercial world of so rapid a development of trade."⁽³⁾ This was the line adopted by the Foreign Office, for Lord Russell replied to Lord Grey's attack on Japan policy of June 17 1864 by noting that the Japan trade in its first four years had brought forth more silk than had all of China in⁽⁴⁾ the four years following the 1840 Treaty of Nankin.

(1) Parl. Papers, Vol. LXVI, 1864, (Cd. 3242) p. 202. Neale to Russell, Yokohama, 3 February 1863.

(2) Neale to Russell, Yokohama, 11 September 1863, quoted in The Chinese and Japanese Repository, for 3 December 1863, p. 276.

(3) ibid., p. 278.

(4) Japan Corres., F.O.46, Vol. 49, Memorandum on Japan Policy, Foreign Office, 1 July 1864.

What foreigners thought of the silk trade was easy enough to discover; what is more difficult to discover is the effect it was having upon Japanese merchants and above all who these merchants were. In common with other western firms, Jardines entered the names of the Japanese with whom it dealt pretty much on a phonetic basis so, that in addition to the normal difficulties of reading handwritten accounts a century old, there is the additional one caused by different clerks spelling the same Japanese name in a different manner. The Jardines accounts are the only ones which seem to have survived from this period and they are not complete, nor are they very detailed, for it is only some of the monthly accounts which were sent to the Hong Kong office which remain and these do not give as full a picture of operations at Yokohama as the local agency's own files would have done. As Jardines was certainly not dealing with all the Japanese merchants at Yokohama, it is impossible from their accounts to form a complete list of Japanese merchants at the place. For example, the firm of Mitsui, which is supposed to have set up a branch at Yokohama in 1864 or 1865 does not appear as such in the Jardines accounts. It is also possible that through coincidence, a very large Japanese firm might be mistaken

for a very small business or vice versa as the range of Japanese surnames is not great. It is also possible that the names listed by Jardines may sometimes represent a man's own name rather than that of the firm he represented. In spite of all these difficulties, there are some observations which can be made about the Japanese merchant community of Yokohama.

The Japanese community was increasing apace with the foreign one. An English visitor noted that from the pre-treaty fishing village of less than a thousand, two years of foreign trade had increased the Japanese population to almost twenty thousand, and their number grew daily. ⁽¹⁾ Some two dozen resident Japanese merchants are listed as being at Yokohama in 1863, ⁽²⁾ but Jardines accounts show them dealing with roughly half a hundred different men in the same year. ⁽³⁾ The number who were local men buying their goods from Edo wholesalers as compared with the number who bought silk and tea from the interior directly or took imports back with them, is impossible to determine, but both sorts were operating.

Some of these men may have represented large

(1) R. Fortune, Yedo and Peking, p. 31.

(2) J. Heco, Narrative, Vol. 2, p. 21.

(3) J.M. & Co., Accounts Box No. 8, Yokohama Cash Accounts.

established Japanese firms, for example an Ono & Co.,
 (1) an Omi & Co., and a Yamato Co., are all listed as
 dealing with Jardines in 1863. Others bear names of
 various fiefs which may be coincidence or may indicate
 (2) they were the sales agents for their clan's produce.
 Jardines' business letters refer occasionally to doing
 business with "the agent of a prince" but, disappointingly,
 do not identify them more clearly. They seem usually to
 represent the silk provinces to the north and west. What
 does seem fairly certain is that a large number of the
 adventurers who were reported as settling in Yokohama,
 originally under a Government offer of low taxes, had
 developed from the poor men whom Keswick noted could
 not finance more than one small deal at a time into
 capitalists of considerable substance by 1863. Whether
 Takashi Shohei, the merchant who absconded with Jardines'
 funds, was one of these new men or had been established
 before 1859 is unknown, but by 1865 he was reported as
 the owner of eleven commercial properties outside of
 Yokohama, including silk packing warehouses and herring
 drying yards.

Although the accounts for January 1863 could not be

- (1) An Omi & Co. is reported as wealthy enough to offer the Government \$200,000. See J. Black, Young Japan, Vol. 2, p. 174.
- (2) C. Sheldon, Rise of the Merchant Class in Tokugawa Japan, New York, 1958, p. 162.

found, during the remaining eleven months of that year Jardines alone paid out roughly \$790,500 to Japanese silk dealers. This figure is based on an average of \$500 per picul of silk and it only represents actual cash purchases at the Yokohama godowns. In addition, Jardines was advancing money for purchases in the interior to at least half a dozen men besides Takashi & Co., as well as loaning money to other Japanese merchants at $1\frac{1}{2}\%$ interest per month. A Government embargo upon silk lowered supplies at Yokohama during the last four months of the season and rising prices were cutting Jardines' purchases below those of 1862, so that the total sums of money going to a fairly large number of Japanese merchants at Yokohama must have been considerable. A European bale was roughly $\frac{3}{4}$ of a picul, so that the 26,000 bales reported for the 1862-63 season at an average figure of \$500 per picul, represented almost \$10,000,000 put into the hands of Japanese merchants for one product alone.

Both in their numbers and in the unfamiliarity of their names, it would seem that, in contrast to the old Guild merchants whose interests were tied closely to the Government and the princes to whom they loaned money in return for monopolistic business privileges, a new middle class of Japanese merchants was beginning to develop out

of a western trade that was not yet five years old. Whether they would ever be able to limit the privileges of the ruling warrior class and bring into power a Government more interested in the general welfare of its people, as the French Consul-General had hoped, (1) will always be debatable, but a new group whose interests were tied to western commerce was emerging and its very existence represented a threat to the ancient privileges of the samurai class.

Frightened perhaps both by the rise in the number of foreigners at Yokohama and the amount of money coming into the hands of Japanese merchants, that class reacted violently. The Government imposed an embargo upon the sale of silk to foreigners while samurai, as individuals or in groups, began to terrorise and assassinate Japanese merchants trading with foreigners.

(1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 5, Yedo, 18 September 1859.

Chapter Nine

THE RESTRICTION OF THE SILK TRADE

In the beginning the Government had looked upon foreign trade as a necessary evil to be endured until its profits allowed them to purchase a modern navy to drive out the foreigners.⁽¹⁾ Having achieved this victory and recovered its lost prestige, the Government would be free to initiate with honour any sort of relations it wished with foreigners at a later date. But first the foreigners must be forced to withdraw. To do this, trade must be kept small and if possible highly profitable for the Government. At first its control of the Yokohama location and its fixing of an unequal exchange rate had achieved both these ends, but between 1863 and 1866 the presence of the foreign troops and warships, all entitled to the official exchange, gradually deprived the Government both of its control and its profit from this source. Their presence also forced the Government to give up any idea of driving the foreigners out by force. Trade restriction, profit to the Government and a foreign evacuation of Yokohama might, however, be attained by another policy and that was an embargo upon the export supply of silk. If continued long enough the lack of business might cause

(1) W.G. Beasley, Great Britain and the Opening of Japan, p. 106.

the foreign merchants to give up Yokohama of their own free will. By this final triumph the treaties of 1858 would be completely undone, and a Government controlled silk monopoly to provide funds for armaments could still be carried on at the remote ports of Nagasaki and Hakodate.

At the time of the signing of the treaties it had undoubtedly seemed to the Japanese negotiators that the most important item to keep out of foreign hands was copper. This had been the major commodity sought by the Dutch during the last years of their privileged trade and both foreigners and Japanese probably assumed that it would continue to be the most sought after Japanese export under the new treaties. In 1859 the Government had issued edicts against the sale of silk to foreigners, but it had also forbidden the sale of most produce, including potatoes. It is only against the sale of copper that effective measures were taken in the early years and the diplomatic archives are filled with vain protests to allow the export of this commodity. Although the Government displayed an insuperable repugnance to the export of minerals which traditional theory likened to the irreplaceable bones of the country, it does not seem at first to have been concerned with restricting the export of silk. It was, after all, an endlessly replaceable product, in surplus supply,

capable of easy expansion, and its export brought in needed funds. Indeed, Government officials are reported as having encouraged Japanese silk dealers at Yokohama to trade on a large scale in 1862 and the beginning of 1863.⁽¹⁾

But as the foreign population of Yokohama began to increase rapidly with the rising silk export, the Government took alarm and in the summer of 1863 it instituted an embargo upon the supply of silk to Yokohama. The influx of silk buyers and the advent of the fleet were turning Yokohama into a sizable boom town looked after by milliners, ships chandlers, hotel and boarding house keepers, journalists, apothecaries, doctors, tailors, sail makers, blacksmiths, watchmakers, French bakers, provision merchants, photographers, shipwrights, livery stable operators, a few much needed constables and a soda water, lemonade and ginger beer manufactory. In addition to building a trade, the foreign merchants also provided a very useful field of employment for skilled people to whom the virgin agricultural lands of North America, Australia or New Zealand were, perhaps, not very appealing.

As the foreign investment in land and trade increased rapidly, the prospects of their giving it up became less

(1) Chinese and Japanese Repository, 3 December 1863, p. 277.

and less and less likely. And yet while each mail steamer brought in new settlers, the domestic opponents of the Government continued to demand that foreigners should be ousted from Yokohama and, for its part, the Government continued the attempt to do so until the end of 1864. It could obviously hope for little success with this policy as long as foreign trade flourished at Yokohama. Possibly remembering the spring of 1862, when Alcock had told Moriyama, one of its most experienced negotiators, that Britain considered the Japan trade too small to be worth fighting for,⁽¹⁾ the Government felt secure enough to launch its embargo upon silk.

It was a shrewd choice for silk provided the weakest point in the foreign position. Yokohama was booming because of the silk trade; yet by its physical location that trade could be easily cut off and once deprived of their profits the three merchants, the 480 bill brokers, and all the reputed Feruvians, Esquimaux and Apache Indians whom The Japan Punch reported as operating some 3,337 grog shops would get back on their ships and go away once more. The policy had every chance of success. The location of Yokohama favoured it. From past experience the foreign diplomats were known to react

(1) Japan Corres., F.O. 391, Vol. 1, Alcock to Hammond, Valetta, 22 May 1862.

violently to a threat upon their lives or an insult to their respective flags but to show little interest in supporting trade or traders. The embargo itself could be operated through the silk guilds at Edo, which had been demanding Government action against the new class of Japanese merchants who were infringing upon their
(1)
ancient monopolies.

Alcock had refused to allow foreigners to reside at Edo and the subsequent expulsion of all foreign diplomats from that city in 1862 on the grounds that their lives were in danger meant that the foreigners could not prove that any such embargo existed. It was operated through the silk guilds who were in practice dependent upon the Government for their monopoly privileges in the market. These they received in return for gifts of "thank money." Nominally, however, they were independent of the Government and their actions could not provide the foreigners with an overt excuse for armed action.

The embargo which Alcock described as an example of "the utterly unscrupulous way in which the Government and its officials think themselves at liberty to proceed ... where the interests of the Tycoon and the trade of the

(1) C. Sheldon, Rise of the Merchant Class, p. 162.

foreigners are, or seem to be, at variance,"⁽¹⁾ was operated in the following manner. Silk, like tea, was collected in the country districts by a travelling dealer who bought small quantities, roughly mixed them in bales of similar quality and brought them by horseback down to Yokohama from the mountainous regions north and north-west of Edo. At Yokohama they were sold to a Japanese wholesaler who then resold them to the foreigner. On its way this silk usually had to pass through the city of Edo in order to reach Yokohama. In August 1863, the Government decreed that this was no longer to be allowed and that henceforth the silk must be sold at Edo to seven or eight guild merchants whom they had appointed.

This made the Silk Guild the middleman in the operation and the Japanese dealer at Yokohama had to go to Edo to purchase the silk from its members. On the occasions when foreign pressure made it seem advisable to allow a few bales of silk to be sold, these were sold at a price fixed by the Edo guild merchant to which was added a Government tax of roughly 25%. This silk was given a Government permit to enter Yokohama and all other silk,⁽²⁾ being regarded as smuggled goods, was confiscated.

(1) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) p. 240.
Alcock to Russell, Yokohama, 15 October 1864.

(2) Parl. Papers, H. of C., Vol. LIV, 1865, (Cd. 3487)
Winchester to Alcock, Yokohama, 6 October 1864. Enclosure
in Alcock to Russell, Yokohama, 15 October 1864.

It was seriously enforced for a customs official at Yokohama who was detected helping smuggle silk to foreigners was ordered to kill himself, which he did after several days of family and relations beseeching him to think of their hereditary rank and income, "but it went sorely against the grain."⁽¹⁾ The Government's policy of restricting trade while extracting the maximum of profit from the little it was forced to do achieved an admirable success. In the year 1864 the 12,576 bales of silk exported cost the foreigners \$2,000,000 more than the 23,164 bales exported the previous year.⁽²⁾

By the spring of 1864 foreign trade had been brought to a standstill by the embargo. This efficiency was in contrast to its early enforcement which was slow and unsure. In August 1863 the Government restricted shipments to 100 bales daily. Neale then complained and for a few days "silk suddenly came down in large quantities."⁽³⁾ The ban was then quietly imposed once more. At the end of September Neale complained that upwards of \$2,000,000 which had been sent to Yokohama to buy silk was lying

(1) J. Heco, Narrative, Vol. 2, p. 41.

(2) Parl. Papers, Vol. LIII, 1865, (Cd. 3576) p. 294. Winchester to Russell, Yokohama, 24 April 1865.

(3) J.M. & Co., Box Yokohama 1863, Gower to Keswick, 26 August 1863.

idle and that the ships sent to carry silk were going
 away empty.⁽¹⁾ Once again the ban was lifted for a few
 days; Neale reported his success to London, and then
 the restriction was imposed again. The Government
 blamed the restriction on "monopolizers" but was un-
 commonly successful at lifting this monopoly whenever
 pressed hard enough to do so.⁽²⁾ It was a game which
 could have gone on forever as the Government probed
 to find how much provocation the foreigners were
 prepared to stand.

Merchant zeal was such, however, that in the
 short intervals when the restriction was lifted enough
 silk was brought down to Yokohama to allow of an export
 by mid-October 1863 some 650 bales greater in quantity
 than at the same date a year earlier.⁽³⁾ In spite of this
 foreign and Japanese merchants were complaining bitterly
 for there was known to be an additional stock of more
 than 4,000 bales being withheld at Edo. The hoped-for
 increase of 10,000 bales was apparently within reach;
 the silk had been reeled and brought the long journey down

(1) Japan Corres., F.O.46, Vol. 37, Neale to Russell,
 14 October 1863.

(2) ibid.

(3) J.M. & Co., Box Yokohama 1863, Gower to Keswick,
 14 October 1863.

from the mountains only to be stopped at Edo, a mere twenty miles away. The silk crop had been largely destroyed in Europe; it was short that season in China⁽¹⁾ but in Japan it was known to be abundant.

The frustration of this surplus so near and yet so untouchable was not to be relieved. At the end of October 1863 when the silk season was four months old a message was delivered to the U.S. and Dutch Ministers at Edo which included the statement that "if uneasiness continued perhaps production may decrease and trade will suffer."⁽²⁾ This threat became a reality in November when for the first time, the silk export fell below that of the previous season, and this time complaints from Colonel Neale were of no avail. At the year's end Jardines' agent lowered the export estimate from 36,000 to 25,000 bales.⁽³⁾ The remaining six months of the 1863-64 season were to prove even this optimistic. By mid-February 1864, he was reporting that in place of the usual 1,000 bales on the Yokohama market there were "only

- (1) Parl. Papers, H. of C., Vol. LIII, 1865, (Cd. 3576) p. 294, Winchester to Russell, Yokohama, 24 April 1865.
- (2) Japan Corres., F.O.46, Vol. 37, Neale to Russell, Yokohama, 31 October 1863.
- (3) J.M. & Co., Box Yokohama 1863, Gower to J.M. & Co., 31 December 1863.

about 60 bales of odds and ends and rejected silk.⁽¹⁾ ²⁴⁰
By April the export was 7,000 bales in arrears of that for the same time at the previous season. By the end of the season on June 30th, the export had reached only 15,931 bales as against the estimated 36,000⁽²⁾ or the actual 26,000 of the previous season.

In a good season during which a large supply of silk had been produced, Government restriction had cut the export by 10,000 bales. If estimates of the potential supply were correct the actual extent of the cut resulting from the Government's action may have been closer to 20,000 bales. The foreigners might stay at Yokohama if they wished, but the Government's policy of making that stay less and less profitable was having good results. In July, August and September of 1864, the first three months of the new season, restriction was almost complete with only 731 bales reaching Yokohama, half of these being smuggled in at night through the swamp and across the canal while the other half was brought in under the pro-

- (1) J.M. & Co., Box Yokohama 1864, Gower to Keswick, 16 February 1864.
- (2) The Japanese Government itself claimed that an annual surplus of 40,000 bales remained after domestic needs had been met. Archives Diplomatiques, Consulaire Japonaise, Vol. 4, Roches to Drouyn de Lhuys, Yokohama, 17 October 1865.

(1)
tection of the Satsuma clan. This loophole was closed
in August when a second Satsuma shipment was seized by
(2)
the Government.

Although the known surplus piling up in Edo warehouses and attested to by the complaints of the Japanese dealers was known to be the work of the Government, clan samurai also had a hand in the silk trade. In the autumn of 1863 they began a campaign of extortion and murder against Japanese who did business with foreigners. These attacks began almost simultaneously with the Government's silk embargo. The first was the killing of a Japanese silk merchant at Kanazawa, only three miles from Yokohama. The man's head was mounted upon a pole with an attached placard proclaiming the same fate for any other merchants
(3)
who dealt with foreigners. Similar attacks occurred at Kyoto where the victims were the larger silk merchants whose agents maintained branch houses at Yokohama. This terrorism may have had a financial aim as Jardines' agent wrote that it was the fief princes who were having the merchants persecuted, perhaps in order to take over their

- (1) Japan Corres., F.O.46, Vol. 48, Winchester to Hammond, Yokohama, 30 September 1864.
- (2) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) pp. 240-241, Alcock to Russell, Yokohama, 15 October 1864.
- (3) J.M. & Co., Box Yokohama 1863, Gower to Keswick, 15 August 1863.

(1)
 profitable trade in silk. Some evidence of this was the fact that small shipments belonging to Japanese dealers were reported as entering Yokohama under the protection of clan licenses and insignia in spite of (2)
 the Government embargo, for which privilege they presumably paid. Satsuma clan which produced no silk of its own also broke the embargo to sell silk on clan account. In September six silk dealers were reported murdered at Osaka while at Yokohama a proclamation was found posted to the Governor's gate announcing the beheading of Yamato Shobei, for trading with the foreigners (3)
 "who are lower than the brute beasts" and promising the same fate for a list of some 23 Yokohama merchants. At least ten of these men promptly pulled down their houses and left the settlement. In consequence, wrote Gower, (4)
 "business in imports is at a standstill."

Whether the Government took an active hand in the terror is unknown but "the intimidating proclamations now

- (1) J.M. & Co., Box Yokohama 1863, Gower to Keswick, 14 September 1863.
- (2) J.M. & Co., Box Yokohama 1863, Gower to Keswick, 10 December 1863.
- (3) Japan Corres., F.O.46, Vol. 37, Neale to Russell, 29 October 1863. Also J. Heco, Narrative, Vol. 2, p. 13 & p. 21. Jardines letters describe the Japanese merchants as actually dismantling their shops.
- (4) J.M. & Co., Box Yokohama 1863, Gower to Keswick, October 31, 1863.

so continually posted up,"⁽¹⁾ as Gower complained to the British Consul, were not taken down, and by the end of 1863 one quarter of the Japanese shops in Yokohama including even the curio dealers were closed. On Christmas Eve some eighteen Japanese connected in any way with foreigners, including three carpenters buying wood for a foreign house at Yokohama, were reported⁽²⁾ killed at Edo.

There is thus no single purpose behind these killings. Attacks upon wealthy silk merchants were undoubtedly useful in extorting money from their colleagues. Occasionally one may have been obstinate and killed to make an example, or for the convenience of samurai who might be deeply in debt to him. Killings such as that of the carpenters can have had no other purpose than that of depriving the foreigners of all those Japanese upon whom they were dependant. It speaks well for the courage of the unarmed Japanese merchants and artisans that so many of them remained at Yokohama.

As the silk embargo grew tighter in the spring of 1864, the British and Japanese merchants joined forces in an attempt to defeat the Government embargo. Complaints

(1) J.M. & Co., Box Yokohama 1863, Gower to Winchester, 28 October 1863.

(2) J.M. & Co., Box Yokohama 1863, Gower to Keswick, 31 December 1863.

to the British authorities having brought forth no
 results,⁽¹⁾ the Japanese silk merchants at Yokohama
 suggested that they attempt to get silk to the northern
 port of Hakodate. "Takashi, Hambae, Isaya Hesoi and
 several others appear confident that 1,500 to 2,000
 bales can be got to Hakodadi," wrote Jardines' agent,
 "but unfortunately all want advances."⁽²⁾ Starved for
 silk, the foreign merchants responded quickly. Kemptner,
 a British merchant advanced a lac of dollars (\$100,000).
 Dents sent its steamer "Glendower" north to Hakodate,
 closely followed by MacPherson & Marshall's "City of
 Nantes" and Jardines' "Rona". It proved a futile effort.
 None of the silk got through to Hakodate, private terrorism
 rather than Government embargo being to blame. The Mito
 fief to the north-east of Edo had broken into civil war
 in 1864,⁽³⁾ and the defeated army engaged in guerilla war-
 fare across the best of the silk producing provinces.⁽⁴⁾
 Japanese silk dealers complained of robberies and murders

- (1) J.M. & Co., Box Yokohama 1864, Gower to J.M. & Co.,
15 March 1864.
- (2) J.M. & Co., Box Yokohama 1864, Gower to Keswick,
12 September 1864.
- (3) E.W. Clement, "The Mito Civil War", Transactions of
the Asiatic Society of Japan, Vol. XIX, 1891, p. 407.
- (4) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) pp. 239-240,
extract from "The Japan Herald".

committed by these men throughout the summer and autumn
 of 1864.⁽¹⁾ In February of 1865, a month after the re-
 bellion had been finally put down, the Japanese dealers
 returned to Yokohama having been unable to get their
 silk to Hakodate due to these guerilla bands, bad weather
 and bad roads.⁽²⁾ If they had been successful it is dubious
 that they could have sold much silk for restriction at
 Hakodate was as rigid as at Yokohama.⁽³⁾

The mutual interest of foreign and Japanese merchants
 for profit was plainly incapable of defeating the power of
 a parasitical military class fighting for its privileges.⁽⁴⁾
 The rulers of Japan were just intelligent enough to under-
 stand that unless they controlled the new money and the
 new ideas coming into the country with foreign trade, these
 must inevitably destroy their privileged position. Foreign
 trade was vital to Britain and in Japan it could only be
 had by the forcing of the ruling class to allow it long
 enough for a class of Japanese foreign traders to grow

(1) J.M. & Co., Box Yokohama 1864, Gower to J.M. & Co.,
 25 August, 12 September and 30 November 1864.

(2) J.M. & Co., Box Yokohama 1865, Gower to Keswick,
 15 February 1865.

(3) Parl. Papers, Vol. LIV, 1865, (Cd. 3487) Commercial
 Report, 1864.

(4) R. Alcock, Capital of the Tycoon, Vol. 2, pp. 360.

strong. The merchants had failed in their effort to break through the silk embargo of the Government, but Alcock was to have better success. He had returned to Japan in March 1864 with London's permission to use a strong British fleet.

During the first week in October, Alcock and the French Minister took the combined fleet up to Edo and demanded that the silk restriction be lifted within 24 (1) hours. It was ended with such suddenness that 4,000 bales were shipped from Yokohama in the remaining three weeks of the month as against the 731 obtained by smuggling during the preceding three months. The relief to trade was so great that in the three months of October, November and December enough business was done not only to make up for nine months of restriction but for trade volume to surpass the preceeding year of 1863. (2)

And then the blow fell. After four and a half years of pleading for the necessary armed forces to enforce the treaty in Japan, Alcock was recalled after his first and highly successful use of that force to break

(1) Japan Corres., F.O.262, Vol. 479, Alcock to Foreign Ministers, Yokohama, 3 October 1864.

(2) Parl. Papers, Vol. LIII, 1865, (Cd. 3576) pp. 291-294, Winchester to Russell, Yokohama, 24 April 1865.

Choshu Clan's blockade of the Straits of Shimonoseki. Coming just at the moment when he had at long last taken a strong and successful stand against Japanese trade restrictions, this worried the British merchants at Yokohama. Alcock's recall, "It is much feared may have a very detrimental effect upon our improved relations with this country," wrote one, "for, should the firm policy adopted, which has resulted in so great a change for the better, be now abandoned, we may very soon fall back into a worse condition than we were some months ago, as there is no doubt that the moment the Japanese think they will not be constrained to keep the Treaty to the very letter, that moment they will go back to the old practices of interference and restrictions."⁽¹⁾ "We have at length entered upon the right track ..." editorialized The Japan Herald, "all reasonable facilities for trade and intercourse ... seem more nearly in reach now, than at any time since the treaties were signed."⁽²⁾

Whether the Japanese were encouraged by Alcock's recall or not, this was what happened. His place was taken by Consul Winchester as Charge during the winter

(1) J.M. & Co., Box Yokohama 1864, Gower to Keswick, 31 October 1864.

(2) Archives, Corres. Commerciale, Vol. 3, clipping from Japan Herald of 15 October 1864 annexed to Roches to Ministry, No. 20, 15 October 1864.

and spring of 1865. Winchester soon found that restriction was still the order of the day. When he had secured the end of the silk restriction in October 1864, Alcock had written that he hoped the Japanese Government had been dissuaded from such designs in the future.⁽¹⁾ Events after his recall in December were to show how fleeting his victory had been.

Rumours of a new Government attempt to monopolize the silk export became so persistent in the spring of 1865 that Charge Winchester had to demand an official denial from the Government. It was given, but the Government mentioned that it might well set up a produce monopoly in the future to exchange goods for foreign weapons.⁽²⁾ This may be the reason why only the poorest quality silk reached the Yokohama market in the spring of 1865, as well as why the free export of silk also began to fall sharply although crops were reportedly good. In the months of October, November and December 1864, more than 4,000 bales of silk were sold on the Yokohama market each month. Yet in the first six months of 1865 only 4,000 bales in total were sold. The following season of 1865-66 began

(1) Parl. Papers, H. of C., Vol. LIV, 1865, (Cd. 3487) pp. 240-244, Alcock to Russell, Yokohama, 15 October 1864.

(2) Japan Corres., F.O.262, Vol. 482, Japanese Foreign Ministers to Winchester, Yedo, 30 March 1865.

(1)
 with an estimated export of 25,000 bales which in practice turned out to be a mere 11,586. This was followed in 1866-67 by an export of 13,554 bales, and in 1867-68 an export of 12,306 bales. With sales sometimes as low as 8,798 bales in 1881 and sometimes as high as 18,434 bales in 1876, for twenty years the Japanese export never again reached the 26,000 bales of 1862-63.⁽²⁾

This fall in the export in the face of continuing foreign demand and domestic surplus lent force to Consul Winchester's remark in 1864 that, "the temptation to be constantly interfering with this valuable article is apparently irresistible to the Japanese Government."⁽³⁾

After six years of residence in Japan the foreigners seemed to have made little progress towards breaking down the restrictive practices of the Government. In the spring of 1865 they were making the same protests that they had been making in 1859. Hordes of minor officials were still exacting so many squeezes as to make it almost impossible for a Japanese merchant to make a profit or a

- (1) J.M. & Co., Box Yokohama 1865, Hope to Keswick, 26 June 1865 and 26 July 1865.
- (2) J.M. & Co., Box Prices Current, Market Report of the Yokohama Chambers of Commerce, 3 July 1868 and Parkes Papers, Box No. 3, clipping from The Japan Mail of 21 February 1884.
- (3) Parl. Papers, Vol. LIII, 1865, (Cd. 3576) p. 291, Winchester to Russell, Yokohama, 24 April 1865.

foreigner to get the prices lowered; they were still
 refusing to allow the export of goods permitted by
 treaty,⁽²⁾ preventing Japanese merchants from bringing
 goods for sale to foreigners and forbidding them to
 sell foreign imports.⁽³⁾

The change of Government from Tokugawa to Meiji
 in December 1867 seems to have made little difference
 in trade. The silk trade remained at low levels as
 did trade generally. The China Mail of 28 July 1879
 noted that "for years trade with Japan has given most
 unsatisfactory results to foreign merchants, -seldom any
 adequate return, often heavy losses."⁽⁴⁾

Foreigners had initially considered the treaty
 ports as merely opening steps from which they would gain
 greater access to the Japanese economy as they had done
 in China. Instead the Japanese reversed the situation,
 making the treaty ports into virtual prisons over the
 walls of which the foreign businessman looked wistfully

- (1) Archives, Corres. Diplomatique, Vol. 4, Roches to Druoy de Lhuys, Yokohama, 26 May 1865.
- (2) Japan Corres., F.O.262, Vol. 485, Winchester to Japanese Foreign Ministers, Yokohama, 5 June 1865.
- (3) Japan Corres., F.O.262, Vol. 485, Winchester to Foreign Ministers, 28 March 1865.
- (4) Parkes Papers, Box No. 3, Newspaper clippings.

at the forbidden pastures of Japanese industry. At the turn of the century foreigners were still forbidden to be partners with Japanese in business, to buy shares in Japanese firms or to travel outside the concessions for business purposes.⁽¹⁾ They still looked forward to the opening of the country as they had in 1858. Britain which was reported as having done a total trade of £ 8 million with Japan in 1865,⁽²⁾ did a trade of £ 4,345,018 with Japan in 1880.⁽³⁾ This was a relatively good year in a period when Britain's world exports were rising steadily from the £ 164 million total of 1860 to the £ 296 million of 1880. It was also a year in which Britain remained the most important single trader with Japan.

All the bright promise that had centered upon the silk trade of 1862-63 had been shattered. Alcock had considered Japan as a testing ground where commerce, the great driving force behind the spread of western civilization, had clashed head-on with a traditional society. "These two great forces," he wrote, "in their full development with conflicting aims and requirements were unfortunately destined to meet in this last home

(1) Ch. Loonen, Le Japon Moderne, Paris, 1894, p. 236.

(2) F. Dickens, Life of Parkes, Vol. 2, p. 58.

(3) Parl. Papers, Annual Statement of Trade & Navigation, Vol. LXXXVII, 1881, (Cd. 2920).

of feudalism."⁽¹⁾ It was a duel that the foreigners lost for as the combination of the Shogunate with the Edo Silk Guild to restrict and control the foreign silk business had succeeded, so did the same tradition of government-controlled industry dominate Japanese trade for almost the next century.

Before discussing what might have happened had the foreign free traders managed to win this battle, it is worthwhile to total up the cost of their defeat. At least on this one point it is possible to arrive at some fairly concrete answers. Having investigated various segments of the trade, imports, cotton, tea, ship sales and silk, it is possible to evaluate the total trade which Jardines and the other westerners pioneered in Japan a century ago. The main Japanese objection to that trade; the claim that it inflicted suffering upon the Japanese people by creating domestic shortages and a sharp inflation in the cost of food and clothing can also be investigated.

(1) R. Alcock, "Old and New Japan," Contemporary Review, Vol. 38, 1880, pp. 828-850.

Chapter Ten

CUSTOMS DUTIES AND COMMODITY PRICES

On the face of it, estimating the Japan trade in these first ten years is deceptively simple. Several modern writers give tables of figures from Japanese sources⁽¹⁾ while in the western world the annual commercial reports of the British Consul at Yokohama were published in Parliamentary Papers as well as in the Annual Statement of Commerce and Navigation. Yet neither the Japanese nor the British figures can be fully trusted. Before the turn of the century even the official records of a trading nation such as Britain left much to be desired while the Japanese were far worse trained in collecting accurate statistics.⁽²⁾

- (1) H. Borton, Japan's Modern Century, pp. 57-59.
 T.C. Smith, Political Change, p. 24.
 Borton estimates his figures from M. Paske-Smith, Ishii Takashi and Kawai Toshiyasu, stating that the figures must be used with caution. Smith quotes Horie Yasuzō

These latter figures are given in yen rather than in dollars. Since there was no yen coin or note until after 1870 the original Japanese author possibly means dollars. This has been my presumption as there seems to be no fixed conversion rate which would equalize the differences in the two tables.

- (2) E. Griffen, Clippers and Consuls, p. 323, commenting upon the government financial documents, *Nihon Zaisei Shiryo*. On the British side, the commercial competence of the Consuls was discussed in an earlier chapter while A.H. Imlah notes that certain statistics such as the sale of used ships were not usually recorded at this time.

Concrete examples of this difficulty appear in the two best known tables in western works which are both based mainly upon Japanese authors. One of these lists reports the export trade at Yokohama in 1865 as being some \$6,000,000 while the other puts it at some \$17,467,728. The export figure for 1864 is given by one at almost \$5,000,000 whereas the other puts it at almost \$9,000,000. There is no apparent unity in these tables as one does not always give a larger figure than the other.

Such anomalies are hard to explain, but there is something very definitely at fault with the Japanese sources which published them. For example, both lists publish figures for the year 1866 detailing the value of exports and imports at Yokohama, but there were no trade returns in that year for Yokohama was burned flat, with both Chamber of Commerce and Customs House archives disappearing in the flames. A French trade summary gives no figures for the year whatsoever, recording laconically, "burned."⁽¹⁾ British Consul Mybergh noted the same and contented himself by general comments upon trade and by multiplying the number of bales of silk and piculs of tea exported by an average price for each, thus arriving at

(1) Archives, Corres. Commerciale, Vol. 5, de la Tagerie to Ministry, Yokohama, 28 March 1869.

(1)
an approximate value for the two major exports.

Having found Japanese statistics open to question, the British consular records remain and by going to these it should be possible to obtain an accurate picture of the trade. Instead one comes full circle and finds that from 1859 through 1864 British Consul Vyse is merely submitting the Japanese Customs House figures to London with some additional general comment by British merchants. (2)

A Yokohama newspaper of a decade later refers to these statistics as "most imperfect" since all goods were (3)
"notoriously" undervalued. Not only were relations strained between diplomat and merchant over the location and exchange questions in these first years, and Consul Vyse's lack of business training did not help, but the merchants were quite naturally loathe to discuss the (4)
actual details of their business with diplomats. This was not only common business caution but, as they were

- (1) Parl. Papers, Vol. LXVIII, 1867, (Cd. 3940), Commercial Report for Japan, Mybergh to Parkes, Yokohama, 3 April 1867.
- (2) Archives Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 96, Yedo, 2 September 1861 and Vol. 2, No. 152, Yedo, 14 April 1862.
- (3) Parkes Papers, Box No. 3, Newspaper clippings from The Japan Daily Herald of 20 September 1879.
- (4) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 71, Yedo, 1 September 1860.

(1)
systematically defrauding the customs, they can hardly have wished to have Alcock pillory them again in the home press as he had done over the use of false names and the demanding of extravagant sums from the Treasury in 1859.

It is this question of customs valuations which seems to clear up the conflicting figures published regarding the early Japan trade. In the case of imports, the customs were being cheated because the foreigner could place pretty much any valuation he chose upon the unfamiliar goods he imported. Although an individual Japanese official may have been sharp enough occasionally to know the true value of the foreign imports and demand the proper duty, it is unlikely that it made much difference, for the customs officers as a group were considered to be highly corrupt (2) and were seldom left on the job long enough to become expert. (3) Whether these men were frequently rotated to prevent them falling under foreign influence, to annoy the foreigners by always leaving them to deal with half-trained men, or to give

- (1) Parkes Papers, Box 5, Parkes to Winchester, Yokohama, 17 January 1866, refers to the "wholesale evasion of duty" by foreign merchants.
- (2) E. Satow, Diplomat in Japan, p. 23.
- (3) Japan Corres., F.O.262, Vol. 465, Alcock to Japanese Foreign Ministers, Yokohama, 22 February 1861.

favoured officials a chance to earn an increment to their salaries by bribery is not certain. What is certain is that import statistics were greatly under the true value of the goods ⁽¹⁾ so that for general purposes it is probably fair enough to add 50% to the figures for imports. This was the percentage the French Consul-General arrived at after talking to the Japanese customs officers and Yokohama merchants, one of whom was also ⁽²⁾ his Consul. Even this figure is too low for the actual volume of trade as the weapons, ships and machinery imported quite heavily by the Government and its fiefs came in duty free and hence were not registered by the Customs under imports. ⁽³⁾

Unless one were able to examine the records of every transaction by every firm during these years it would be impossible to arrive at exact figures as to how much the customs data are in error. But as the general assumption can be made in the case of imports that the figures are 50% too low, it can in the same general way be stated that those for exports are some 100% too low. Using Consul

- (1) M. Paske-Smith, Western Barbarians, p. 303.
- (2) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 83, Yedo, 10 January 1861.
- (3) Parl. Papers, Vol. LXVIII, 1867, (Cd. 3940), Commercial Report for Japan, Flowers to Parkes, Nagasaki, 31 January 1867.

Mybergh's method of taking only the silk and tea export from Yokohama and multiplying this by an average price for each is a useful check on this matter. It is also fairly reliable for, in contrast to their casual recording of monetary sums, the Japanese Customs were reported as being very conscientious about counting the number of bales of silk and chests of tea that were (1) exported. Exports for the year 1862 are an example. The 21,486 bales of silk at \$500 per bale plus the 5,000,000 pounds of tea at \$30 per picul gives an export value of almost \$12,000,000 for these two items alone, and yet a figure of roughly \$6,000,000 appears in the consular records.

Although the extant Jardines accounts are not complete, three silk shipments in 1863, and two tea shipments in 1866 show the customs to have been defrauded by an average of 127%. Five shipments are not enough to be statistically significant, but they are useful as, given the limited amount of data which has survived into this century, it is probably impossible to reconstruct any accurate figures for these years.

The equally arbitrary valuation of 100% for exports based upon Consul Mybergh's method of multiplying the silk

(1) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 132, Yedo, 1 February 1862.

and tea shipments by their average price can only give the same very general result. As the Yokohama export included copper, timber, seaweed, fish oil, vegetable oil, objets d'art, cuttlefish, mushrooms, sea slugs, dried fish etc., as well as large quantities of silk worms eggs which in total added up to a considerable sum, using the silk and tea export alone is not statistically valid. These two figures of 50% and 100% are almost useless for statistical accuracy, but they are useful enough and supported by enough evidence to allow for one conclusion. That is, that for the first four years of full trade, the figures could be increased $1\frac{1}{2}$ times and still be on the low side. In October of 1864 the Yokohama Chamber of Commerce was formed so that the statistics for 1865 are more valid than those of previous years. ⁽¹⁾ The British Consul used these Chamber of Commerce figures to adjust the Japanese customs data which may account for the total trade amount rising from \$6,729,354 to \$14,441,078 in a year when the silk export fell sharply.

This cheating of the customs is difficult to blame upon the foreign merchants, for they could only act within the customs system set up by the treaty. Here the fault

(1) Parl. Papers, Vol. LIII, (Cd. 3576), Commercial Report for Japan, Winchester to Russell, Yokohama, 24 April 1865 as Charge Winchester Reports.

seems divided between the original Harris Treaty which allowed the merchants to set their own value upon goods, and the corruption of the Japanese customs officers. Because the western diplomats had been unable to enforce the free trade envisioned in the 1858 treaties, the western merchants had been left at the mercy of the Japanese officials. When these latter demanded bribes,⁽¹⁾ it was necessary to pay in order to stay in business. If it was necessary to grease the wheels of the customs machinery in order to get export or landing permits, the use of coolies and landing boats, or a lower duty than your neighbour paid, then all of the foreign merchants had to acquiesce or be put under a severe competitive disadvantage. There was little that could be done by western diplomats about the honesty of their own countrymen or of the Japanese, but they could remove temptation from their path by setting a scale of fixed valuations for all goods upon which a duty was assessed. This technical improvement was included in the Parkes' 1866 Convention which altered, but did not attempt to replace, the Harris Treaty of 1858. It probably helped both foreigners and Japanese by putting the customs upon a more regular footing, and returning a larger income to the

(1) E. Griffen, Clippers and Consuls, p. 333.

(1)
 Japanese Government. It came into effect for the last
 six months of 1866, so that probably the customs figures
 for 1867 are the first reasonably valid ones, although
 one author puts 1868 as the first accurate year, (2)
 and another doubts that Japanese officials became very
 accurate at statistics until the mid-70's. (3)

If existing customs figures are adjusted to allow
 for evasion and false valuations a new picture of the
 Japan trade emerges. In place of the accepted version
 of a steadily growing trade, the first five years of the
 decade were the best. After them the actual total export
 of produce declined. (4) Although the second place tea
 trade increased slightly, the vital silk export fell off
 sharply. The year of 1866 was reported as the worst year
 since the opening; the following year was described in
 a market circular as "exceedingly dull," while Jardines
 reports the years of 1868 and 1869 as being very poor
 business ones, and much bedeviled by the monetary fluc-
 tuations which had accompanied the civil war in Japan.
 Yet graphs based upon customs figures show a steadily

(1) F.C. Dickens, Life of Parkes, Vol. 2, p. 445.

(2) J. Orchard, Japan's Economic Position, p. 97.

(3) E. Griffen, Clippers and Consuls, p. 323.

(4) H. Borton, Japan's Modern Century, p. 57.

increasing trade in these years. What seems to have happened is that more or less accurate customs reports began to come in after 1865 and that monetary values for exports do not reflect the actual quantity of goods exported. Silk, for example, doubled its export price during the second five years of the decade. Because of restriction Charge Winchester reported foreigners paid \$2,000,000 more for 12,576 bales of silk in 1864 than⁽¹⁾ they had for 23,164 bales in 1863.

Foreigners were exporting less, and paying more for it. If this is the case, then Japanese claims that the foreign exports caused a shortage of goods on the domestic market bringing great hardship and a severe inflation to the people, need investigation.

The usually accepted version is that the foreign export of goods caused domestic scarcities, and a consequent sharp rise in the price of food and clothing. Between 1859 and 1867 the price of silk is said to have more than quadrupled, marine products, cotton and oil trebled, and tea doubled. These are, however, export prices and, due to the restriction possible at Yokohama, they might be very different from prices in the interior. Most important, the price of rice, the staple food, is

(1) Parl. Papers, Vol. LIII, 1865, (Cd. 3676) Commercial Report for Japan, Winchester to Russell, Yokohama, 24 April 1865.

(1)
 said to have increased twelvefold. As in the case of the gold export of 1859, this has been accepted from 19th century Japanese historians. There are certain points worth noting about such writings, one being the general one that they were all written by members of the established samurai class. These men were willing to squabble amongst themselves over the division of the fruits of class supremacy, but they shared a common interest in maintaining that supremacy, as well as an emotional hatred of foreigners and an ignorance of economics. Another point is that such writings were often political propaganda designed to stir up anti-foreign feeling amongst the people and the lower ranks of the samurai class. This, too, was an end in which both Government and those fiefs which hoped to limit or to overthrow the Government had a common interest. There had been a definite rise in the cost of living, and if that rise were not blamed upon foreigners, it would most certainly be blamed upon them.

From past experience, the officials of both the Central Government and the fiefs knew that this meant

for comment see:

- (1) K. Yamaguchi, Bakumatsu Boekishi, pp. 227-231.
- C. Yanaga, Japan Since Perry, p. 33.
- H. Borton, Japan's Modern Century, p. 59.
- G.A. Lensen, Russian Push Towards Japan, p. 359.
- G.C. Allen, A Short Economic History of Japan, London, 1946, p. 23.
- T. Tsuchiya, "Economic History of Japan", p. 250.

riots by the peasants and assassinations by the poorer members of the samurai class. Since that class held a monopoly of weapons and military training, it could put down peasant riots fairly easily, particularly as long as they remained local issues.⁽¹⁾ Peasant riots were expensive to put down but they could be handled. They increased sharply with the rise in the cost of living in the late 1860's and reached even larger dimensions under the new government in the 1870's. As the army became more efficient and railroads and telegraphs were built to help it move quickly, there was less and less danger of a successful peasant rebellion. It was, however, very useful in the 1860's to divert peasant unrest at increased taxes and rising living costs by blaming them upon the foreigner.

(2)

Unrest among the poorer samurai was another thing. They possessed weapons, and expressed their political displeasure by assassination. The samurai as a class were remarkably literate, but their education consisted mainly of the Chinese literary classics and medieval military science. Hence it was not difficult to sell them the

(1) See H. Borton, Peasant Uprisings in Tokugawa Japan.

(2) J. Hall and Y. Sakata, "The Motivation of Political Leadership in the Meiji Restoration", Journal of Asian Studies, Vol. XVI, No. 1, November 1956, pp. 42-43.

argument that the export of goods must inevitably be causing the shortages and high prices from which they were suffering. During the first decade their energies were generally divided between the assassination of foreigners and Japanese dealing with foreigners, and the killing of their own political opponents. Gradually as they came to realize that foreigners were not causing their economic distress their murder became less and less frequent, whereas in the 1870's and 1880's the lives of Japanese politicians became increasingly insecure. Count Ito is recorded as driving about Tokyo in 1887 with not only an armed policeman on the back of his carriage, but his own loaded pistol close to hand between the seat cushions.⁽¹⁾ The combination of an efficient police with large numbers of positions for samurai in that police and in the expanding armed forces, kept the number of would-be assassins down to a minimum, but during the 1860's these men were always a threat. The more their hatreds could be directed against the foreigner and the new group of Japanese merchants dealing with him, the safer life would be for both fief and shogunal officials.

It made a very fine propaganda theme as the placard put up by the samurai assassins of a silk dealer illustrates;

(1) J. Heco, Narrative, Vol. 2, pp. 241-242.

it threatens a similar death to all merchants dealing with foreigners for by doing so "they have enhanced the price of all articles and all but themselves suffer. Many in the interior are pinched as in time of famine; families can no longer live in one place together; households are broken up and scattered; many have died from sheer want of food. On account of all this we can no longer remain blind to the sufferings of the people."⁽¹⁾ While this makes an intense emotional impact, it is not at all certain that it is true.

That foreigners had caused scarcities of food or clothing by export would depend upon the domestic production having remained the same for the decade 1859-69. There is no evidence of this and considerable evidence to the contrary. Although it took time for foreigners to learn Japanese and only foreign diplomats were allowed on occasional trips into the interior, a French silk firm at Yokohama was reporting a large rise in native production during the year 1861.⁽²⁾ British consuls at both Nagasaki and Yokohama reported wide extensions of the mulberry and tea plantations as well as cotton and

(1) ibid., p. 14.

(2) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 132, Yedo, 1 February 1862, enclosing business circular of Remi, Schmidt & Co.

(1)
vegetable wax production. When in 1868 a party from the British Legation was allowed to travel into the silk districts, they were told that the mulberry plantations had been increased from 30% to 100% since 1859. They also reported the obvious prosperity the trade had brought to the region as evidenced by the new houses, the prosperous shops and the appearance of the people. The party was told that even imported European beer was stocked locally, although its price by the time it had reached the mountains of interior Japan must have been (2) spectacular.

A modern Japanese writer reports that the growing areas for all export goods extended remarkably to meet (3) the foreign demand. Even more interesting is a pamphlet written by a Japanese author at Osaka in 1869. This was at a time when after using the war cry of "expel the foreigners" very successfully during the civil war, the victorious clans of the south-west now had to explain to their followers why the foreigners were not only to remain, but why the two further ports of Osaka and Niigata were to

- (1) Parl. Papers, Vol. LIV, 1865, (Cd. 3487), Commercial Report for Japan, A. Gower to Alcock, Nagasaki, 3 January 1865 and Vol. LXVIII, 1867, (Cd. 3940) Flowers to Parkes, Nagasaki, 31 January 1867 and Mybergh to Parkes, Yokohama, 3 April 1867.
- (2) Japan Corres., F.O.391, Vol. 14, Parkes to Hammond, Yokohama, 15 October 1868.
- (3) T. Tsuchiya, "Economic History of Japan", pp. 248-249.

be opened to foreign trade. A translation made for the British ambassador reads, "The inhabitants of provinces at a distance from the centres of trade who have never given much attention to these arguments, look upon foreigners as enemies, and lay to the charge of commerce the distress which is caused by high prices. This is a great error," for as the author goes on to explain, silk and tea are produced in leisure time, on otherwise empty land and their supply is limitless.⁽¹⁾ Even as early as the spring of 1860, Alcock was told that Japan had a large annual surplus of tea and silk;⁽²⁾ but when travelling across the country from Nagasaki to Edo in 1861, he had noticed the sharp contrast between the poverty of the people and the fertility of the soil.⁽³⁾ The botanist Fortune was only allowed to travel within a few miles of the treaty ports and wrote that the people close enough to engage in foreign trade seemed very prosperous.⁽⁴⁾ This same prosperity may have deluded other foreign travellers into assuming that the whole nation was prosperous and, hence, would perhaps be better off if the

- (1) Parkes Papers, Box No. 4, "Scattered Remarks on Commerce" by Kato Sukeichi, Osaka, 1869.
- (2) R. Alcock, Capital of the Tycoon, Vol. 1, pp. 374-375.
- (3) R. Alcock, Capital of the Tycoon, Vol. 2, p. 86.
- (4) R. Fortune, Yedo and Peking, p. 269.

foreigners withdrew. In practice it may have been the other way round, and the prosperity of many people depended upon their access to foreign trade, particularly as the country had been reported in an economic slump before the opening of trade.⁽¹⁾

Aside from the fact that Japanese production increased, and foreign export tended to decrease after 1863, with the 1866 bank crash in London added to the normal trading problems of a civil war in Japan, the timing of Japanese complaints that trade was creating a shortage do not fit the facts.

A Japanese author reports a Government edict in the first week of July 1859 telling the people not to trade with foreigners for it was causing a rise in prices;⁽²⁾ yet at this time the only trade had been the illegal one at Nagasaki. This had been very small and conducted through the Government Trading Guild. Japanese officials again complained to Alcock in November of 1859 that foreign trade was creating shortages and causing a rise in prices, although at this time there had been less than eight weeks of relatively good trade and that carried on by

(1) See N. Skene-Smith, "Tokugawa Japan", p. 116.

(2) Y. Takekoshi, Economic Aspects of the History of Japan, Vol. 3, p. 336.

(1)
 only some twenty merchants. Although the next seven months which followed the official's complaint produced a larger quantity of goods for export than the first five, still the entire export of those first twelve months was small. That of silk was said to be only 5,000 bales of a reputed annual production in 1861 of 113,000 bales, while the tea export was described as a mere trifle. (2)
 At the beginning of 1862, the French Consul-General wrote that the continual Japanese complaints of foreign trade causing a rise in the cost of living were false due to increased (3)
 production.

Apparently the price rise, which was being used by the south-western clans as a propaganda weapon against the Government, was also being used by the Government against the foreigners. They were told that if they did not give up their treaty right to open trade at Osaka in 1863, popular discontent might result in a massacre of all foreigners, a civil war, or both. (4)
 When Osaka was

- (1) Japan Corres., F.O.262, Vol. 3, Alcock to Russell, No. 39, Yedo, 23 November 1859.
- (2) R. Fortune, Yedo and Peking, p. 285, and Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 132, Yedo, 1 February 1862.
- (3) ibid., Archives.
- (4) Japan Corres., F.O.262, Vol. 470, Alcock to Japanese Foreign Ministers, Yedo, 15 March 1862 and Heco, Narrative, Vol. 2, p. 28; M. Paske-Smith, Western Barbarians, p. 146; also R. Alcock, Capital of the Tycoon, Vol. 2, p. 450.

successfully kept closed, this same threat was repeated to induce the foreigners to give up their trade at Yokohama. A French despatch had noted in the very first months of trade that the Japanese Government wished only to raise (1) barriers between the Japanese people and the foreigners.

It is interesting also that this same argument of a civil war had been used by Chinese officials at Canton some years earlier. Their petition that foreigners give up residence for a period had been acceded to, but the delay granted had been used to stir up anti-foreign feeling, so that when the appointed time for reopening came, the foreigners had to fight their way back into the city. Having done so, they found the anti-foreign feeling of the people to be of such weak stuff in practice that "a corporal with a switch" could keep order.⁽²⁾ When petitioning Lord Russell not to grant any delays in enforcing the treaty, British merchants in Japan had written, "It is the Canton City Gate affair all over again."⁽³⁾ Apparently the use of the price rise was a propaganda weapon of the Japanese authorities who blamed domestic troubles upon foreigners. As such it was highly successful and seems to have been

- (1) Archives, Corres. Commerciale, Vol. 1, de Bellecourt to Ministry, No. 5, Yedo, 18 September 1859.
- (2) A. Michie, Englishman in China, Vol. 1, p. 160.
R. Alcock, Capital of the Tycoon, Vol. 2, p. 227.
Biography of Sir Harry Parkes in Dictionary of National Biography.
- (3) Archives, Corres. Commerciale, Vol. 2, de Bellecourt to Ministry, No. 125, Yedo, 29 March 1862, Enclosure British merchants to Lord Russell, 28 March.

(1)
widely believed both at the time and thereafter.

Although the extent of foreign guilt for the inflation is debatable, there was definitely a sharp rise in the cost of commodities which was particularly severe between 1866 and 1869. A British Legation employee in 1870 supported his claim to a pay rise by quoting from the books of the Edo wholesale rice brokers to prove that the cost of living had gone up, as the "only certain gauge is rice, which is what the potato is to the Irish."⁽²⁾ The table he gave is as follows, the right hand column indicating the weight of rice which could be bought with a ryo weight of gold coin (Alcock equates this to \$1.00). The weight is in a Japanese measure called "Go" of which there were ten in a "Kin" and 1,000 in a "Koku" or approximately five bushels.

1859	- 480
1860	- 430
1861	- 330
1862	- 425
1863	- 300
1864	- 455
1865	- 200
1866	- 125
1867	- 110
1868	- 160
1869	- 107

- (1) Japan Corres., F.O.262, Vol. 470, Alcock to Japanese Foreign Ministers, Yedo, 15 March 1862. For a discussion of a similar situation in Spain see E.J. Hamilton, American Treasure and the Price Revolution in Spain, Harvard Press, 1934, pp. 283-285.
- (2) Parkes Papers, Box No. 1, Envelope No. 12, "Civil Service", a draft letter dated Yedo, 27 January 1870.

It will be noted that the years 1862-64 which saw the heaviest quantities of foreign export do not coincide with the years of the rise in the cost of rice. Rice itself could not be exported by treaty and apparently was not, as the only mention of it in the Jardines archive is in 1865 when some Government officials at Nagasaki asked permission of their Edo superiors to use rice in part payment of a steamship. They were refused. Yet the rise in rice prices is undeniable. Some foreign blame for the inflation in living costs may exist inasmuch as any export tends to be inflationary. Foreign trade also increased the supply of gold in the country by the sale of gold bars from China.

The excess quantity of silver money left by the favourable balance of trade in Japanese hands is impossible to estimate precisely, but after deducting Government expenditures for armaments, it cannot have been great and might well have shown a deficit. In addition to armaments, the Government had certain other heavy outlays for the payment of indemnities when foreigners were murdered, and for the sending of embassies abroad. Since these latter might number more than 80 men, the expense could be considerable. Two decades before the arrival of the foreigners, the Shogunate was estimated to have an annual

revenue of roughly \$1,512,148.⁽¹⁾ As an example of the cost of armaments, the Shogunate had purchased 300,000 rifles before 1869.⁽²⁾ At \$10 each, this was \$3,000,000 for this item alone.⁽³⁾ It was reported as having given \$600,000 to the U.S. Ambassador, Pruyn, for ships and artillery; several warships had been ordered in France;⁽³⁾ the Yokosuka arsenal and shipyards were being built at a cost of \$2,400,000 by French engineers,⁽⁴⁾ and an indemnity of \$3,000,000 was owed to foreign governments for Choshu clan's blockade of the Inland Sea. The 94 western ships reported owned by the fiefs in 1867, and the 44 owned by the Government⁽⁵⁾ represented another sizable outlay.

Sailing vessels cost between \$10,000 and \$20,000 each and steamers, of which there were at least three dozen, cost from \$50,000 to \$200,000 each. As the Government was restricting the amount of goods allowed into the foreign trade, this money could not come from customs

- (1) The budget figure is from E. Honjo, Social and Economic History of Japan, p. 279, using Alcock's estimate that one ryo equalled approximately one dollar.
- (2) J. Black, Young Japan, Vol. 2, pp. 32-33. The figure of \$10 is mentioned in commercial archives as the cost of an Enfield rifle.
- (3) E. Honjo, Social and Economic History of Japan, p. 315.
- (4) J. Black, Young Japan, Vol. 2, p. 302.
- (5) T.C. Smith, Political Change, p. 9.

receipts, but must come from higher domestic taxes. These took several forms. A traditional Japanese method of raising money which was reported in use at this time was for a fief or the Shogunate to buy up goods, warehouse them, and create a favourable price rise by this artificial scarcity. Some fiefs are reported as forcing their farmers and merchants to stop selling directly to foreigners and turn over their surplus produce⁽¹⁾ to the officials for sale on the clan account. Jardines' books which had reported sending individual Japanese into the interior to bring back silk or tea in 1863 bear this out. From 1865 onwards, most of their business both at Yokohama and Nagasaki is no longer with individuals, but with the agents of Princes, some of whom like Nambu made contracts for the entire fief production of silk for three years.⁽²⁾ It is also interesting that, in addition to monopolising the sale of their own produce, some fiefs were buying that of other areas and selling it. Satsuma clan which was not a silk producer dealt in silk at both Yokohama and Nagasaki.⁽³⁾

(1) N. Skene-Smith, "Tokugawa Japan", p. 87.

(2) J.M. & Co., Box Yokohama, S. Gower to W. Keswick, 10 January 1865.

(3) J.M. & Co., Box Nagasaki 1865, T.B. Glover to W. Keswick, 25 August 1865.

More pertinent than silk is the storage of rice. Filling the Government and fief granaries was a traditional wartime measure which in itself would tend to raise the price of rice, even if the officials concerned resisted the temptation to profit by this artificial shortage. (1) They had been known to do this in the past, and there is some evidence that they did so at this time. When the people led by their priests rioted in Edo in 1866, the Government suddenly opened up its rice storehouses, saying these were no longer needed for the war, upon which prices fell and the shortage ceased. (2) The year of 1867 was one of a good rice crop, (3) yet the price of rice was at its highest. Apparently both Government and fiefs were hoarding rice to feed their troops and pay for war-time expenses.

Besides the hoarding of produce, another method of raising money was by direct taxation. Merchants were forced to pay goyokin or "thank money" to their officials. In theory this was a loan, but in practice it was seldom repaid. A visitor to Yokohama in 1865 reports that the

- (1) H. Borton, Peasant Uprisings, pp. 144-5, and Parl. Papers, Vol. LIV, 1865, (Cd. 3487) Winchester to Alcock, Yokohama, 7 September 1864.
- (2) J. Black, Young Japan, Vol. 2, p. 13.
- (3) J.M. & Co., Box Yokohama 1867, C.S. Hope to W. Keswick, 21 October 1867.

local merchants were complaining bitterly of this tax. They were forced to keep books, and whenever business was at all good, the police forced a contribution out of them.⁽¹⁾ What was true of the small Yokohama curio dealer was also true of the largest silk dealers. To simplify the collection of goyokin on silk the Government had restored the traditional monopoly of the Edo Silk Guild in 1864.⁽²⁾ This meant that no Japanese dealer could take silk directly at Yokohama,⁽³⁾ but had to sell it to the Edo Guild at its price. The Guild then resold the silk to the Yokohama dealers at an increase suitable to its own wants and the size of the Government's demand upon it. This is presumably the reason why foreigners got half the silk to export at almost double the price⁽⁴⁾ between 1864 and 1869.

By 1867, goyokin was no longer sufficient and the Government issued paper money for the first time in its history.⁽⁵⁾ The fiefs had been doing this for some time

(1) First Visit to Japan, anonymous, Dean & Co., London, 1869, pp. 116-117.

(2) See N. Skene-Smith, "Tokugawa Japan", p. 90.

(3) J. Heco, Narrative, Vol. 2, p. 68.

(4) Parl. Papers, Vol. LIII, 1865, (Cd. 3576) Commercial Report for Japan, Winchester to Russell, Yokohama, 24 April 1865.

(5) E. Honjo, Social and Economic History of Japan, p. 311.

so that there were a reputed 1,694 different varieties
 of paper notes circulating. ⁽¹⁾ The inflationary effect of
 this was further increased by changes in the metallic
 coinage. Most important was that of the copper coinage.
 This was the familiar "cash," the round coin with the
 square hole in its centre, which was probably first
 issued in China about the fourth century B.C. In China
 it was the only coin minted by the Government and had
 been so thoroughly depreciated by 1851 as not to be worth
 the cost of counterfeiting. Although a slight difference
 was recognized between genuine copper and baser iron coins,
 cash were relatively stable, and hence formed the standard
 of value by which all other goods including gold and
 silver fluctuated. ⁽²⁾

In Japan the same situation was coming about.
 Harris records that even large bills covering months of
 provisions and wages were submitted to him by the Japanese
 officials in terms of cash, rather than in gold or silver
 coins, either of which would have been much more convenient. ⁽³⁾
 Alcock also reports that all produce was sold for its value

(1) E.H. Norman, Japan's Emergence, p. 98.

(2) T. Williams, "Silver in China", Journal of the American Academy of Political Science, Philadelphia, 18 May 1897.

(3) T. Harris, Journal, pp. | , 343, 373.

estimated in terms of cash rather than the silver ichibu
or the gold koban.⁽¹⁾ It was the most important part of
Japanese coinage,⁽²⁾ for all values seem to have been
estimated in cash and it may well be that the value of
Japanese gold and silver coins was set in terms of cash
on a speculative gold and silver exchange at Osaka, as
was the value of Mexican dollars in China.

At the end of the 18th century, the Japanese
Government had begun to tamper seriously with cash by
implementing the standard copper issues with iron ones,
and by increasing the issue of both.⁽³⁾ The resulting
inflation sent up prices, but was good for business as
the increase in the circulating currency helped to speed
up the velocity of trade. The experiment ended when a
new Government called in the old issues and minted new
full weight coins, thus restricting the quantity of money
in circulation and helping to cause a business depression.
In 1835 a more serious step was taken with regard to the
cash coinage. A new copper coin, the Tempo, was struck.
It was a well made oval coin about the shape and the size
of the longitudinal section of an egg. It bore the

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 148.

(2) J.W. Hall, Tanuma Okitsugu, p. 72.

(3) ibid.

inscription that it was to pass for 100 of the existing cash. Since it weighed only as much as seven of them, this was straining public credulity. The new coin consequently tended to drive the old copper ones out of circulation. The older coins seem often to have been hoarded, while iron cash which were issued from 1835 onwards saw more general use. By the time Perry arrived in 1853, the Tempo had replaced the cash as the integer of Japanese currency. Perry's pursers reported that it had raised the price of all provisions and labour, but that the Japanese used it for convenience, at a value of one Tempo to roughly 30 rather than the officially stipulated (1) 100 cash.

The value of the Tempo continued to fall, reaching one Tempo to ten cash after 1860. By 1870 it struck almost its intrinsic value and passed at one to eight, thus attaining the same situation as in China where the coinage was almost at its value as metal and hence not worth the danger of counterfeiting. The difference between a coin marked 100 and worth eight was so striking that "Tempo" became a favourite slang term to designate a man lacking in intelligence.⁽²⁾ By calling in the old issues and exchanging them for the new Tempos, as well as

(1) S.W. Williams, Chinese Commercial Guide, 5th Edition, 1863, p. 256.

(2) N. Munro, Coins of Japan, p. 149.

presumably paying many of its own bills in Tempos at face value, the Government was making the profit on recoinage.

The arrival of the foreigners accelerated this process by increasing the financial burdens of the Government for defense. A new iron cash was struck in 1860, and the Government tried to call in all of the older copper issues. Many tons of them were smuggled to China by the Chinese colony at Nagasaki.⁽¹⁾ In 1860 it is said that over 90,000,000 were sold in Shanghai, where they were used indistinguishably with the Chinese coins.⁽²⁾ In 1866 Jardines reports them as popular at Shanghai at 970 to the dollar, which was roughly the rate for standard Chinese cash,⁽³⁾ while in Japan by 1866⁽⁴⁾ only the iron ones were seen in daily use. These were struck not only by the Government, but by many of the fiefs who issued large quantities of the coin.

- (1) P. van Meerdervoort, Vijf Jaren in Japan, Vol. 2, pp. 76-77, and M. Paske-Smith, Western Barbarians, pp. 386, 402.
- (2) S.W. Williams, Chinese Commercial Guide, 4th Edition, p. 267.
- (3) J.M. & Co., Box Shanghai 1866, W. Keswick to R. Watmore, 28 March 1866.
- (4) Parl. Papers, Vol. LXIX, 1867, (Cd. 3869) Report on the Currency of Japan. Munro in Coins of Japan reports old copper cash were again common at the turn of the century.

An attempt to issue another copper coin was made in 1863 by the Shogunate when a million cash were issued. These were marked to pass for four ordinary cash but, as they were of the same size and weight, they only passed for one. There was apparently little further profit to be had in this direction. The Government gave them up after only a year, and Alcock reported in 1864 that they were being called back to be melted up for cannon.⁽¹⁾ The Tempo remained the only copper coin in circulation. Both the Government and the fiefs continued to issue large quantities of iron cash. After 1870 these were still officially valid, but no longer used as they were worth more as old iron than as coins.⁽²⁾ In 1870 the Meiji Government valued the old copper cash at 1,000 to the yen or the silver dollar, which had roughly been its value in China for the preceeding decade.

The Tempo, the four cash copper coin, the iron coins, and the many varieties of paper notes in circulation added to the inflation of prices. Conditions became worse after 1865 when the Government began to debase the existing

(1) At the end of the civil war the Edo cannon were re-melted once more and cast into Tempos. Dickens, Life of Parkes, p. 102.

(2) W. Bramsen, Coins of Japan, Yokohama, 1880, p. 10.

(1)
 silver and gold coinages. In 1865 Japan Punch noted satirically that there were few buyers for lead, spelter, and iron except the Government which was using them to make the supposedly silver ichibu. A small gold coin which had been a favourite for private savings was now made out of copper in large amounts and given only a gold wash, while ichibus were also made of copper and given a silver wash. (2)
 (3)
 Some token Tempos were even reported made of clay.

The causes of the sharp inflation of prices which were so successfully blamed upon the foreigner seem thus to be mainly the result of high taxes upon the merchants which were passed on in higher prices to the customers, and the increase in quantity of all forms of money. The hoarding of goods by fief and Government connected guilds to create artificial shortages from which high profits could accrue to the war chests of their respective masters, as well as the normal troubles of war and of extortion by poverty stricken samurai would also raise prices. Thus, heavy taxes, monetary policies and produce monopolies seem far more to blame for high prices than foreign trade.

(1) F. Dickens, Life of Parkes, p. 115.

(2) J. Black, Young Japan, Vol. 2, pp. 304-305.

(3) E. Villaret, Numismatique Japonaise, Paris, 1892, pp. 46-47.

However, putting the blame on foreigners gave excellent service by diverting both peasant and samurai hostility from fief and Government officials. These could thus fight a small scale civil war relatively secure from involving large numbers of the population. (1) In common with many Latin American political movements of its time, the Meiji Restoration was not so much a revolution as a coup d'etat in which power changed hands between a very small group within the ruling class.

From a foreign point of view, it spelt the death of the free trade for which Harris had hoped in 1858. The growing class of independent provincial merchants who had been dealing with the foreigners in 1862 and 1863 had all been brought under Government or fief control by 1866. The Restoration changed little. Government monopolies continued to control the export of silk, tea and even seaweed throughout the 1870's; (2) the exports remained low, and the prices remained high both to foreigners and to Japanese so that living standards did

- (1) T.C. Smith, "Landlords and Rural Capitalists in the Modernization of Japan", Journal of Economic History, Vol. XVI, No. 2, June 1956, p. 181.
- (2) See G.C. Allen, Short Economic History of Japan, Chapter Two. Government control of the seaweed is mentioned in Parl. Papers, Commercial Report for Japan for the year 1878.

(1)
not rise. Much of the money gained from these Government connected monopolies, as the money gained from the silk restriction of the 1860's, went to buy weapons and machinery for the making of weapons. As a Russian observer noted in the 1880's, the only European imports in quantity were made by the Government in order "to have, it is not known for what need, an army, organized in the European manner, i.e. costing very much."⁽²⁾

(1) E.H. Norman, Japan's Emergence, p. 69.

(2) G.A. Lensen, Russian Push Towards Japan, p. 419.

SOME CONCLUSIONS

The ending of Japanese seclusion a century ago was a mixed blessing for the Japanese. It was, however, more of a blessing than is generally realized. This is probably due to the character of the people who wrote about Japan in the last century and upon whose work much of this century's history has been based.

Most Japanese writing has been done by members of the dominant samurai class whose education had been largely in military terms. Neither their chauvinism nor their militarism resulted from western encroachment, although the presence of the westerners exacerbated such sentiments and provided a concrete focus for them. Consequently, much Japanese writing about the advent of the westerners is phrased in military terms of aggression and defense, and these can be misleading.

Western writing about 19th century Japan tended to be British writing due to the numerical predominance of the British colony in Japan with its large staff of diplomatic and consular officials, and army and navy officers.

The Briton with the time to write came from a society which exalted the stability of a settled class system and whose ruling class was worried by fears of

socialist revolution. Time and again one finds references to the charm of "feudal" Japan where happy people tended little gardens, contented with their station in life, and unworried about political doctrine. The westerner who wrote was able to do so because he came from a cultured and leisure class whose education enabled it to appreciate the beauties of Japanese art, and the charm of its social life. Even naval officers much given to rod and gun would describe Japan as a fairyland, and decry the western influence represented by the empty whiskey bottles bobbing (1) about in Yokohama harbour. In some ways the western writer of the last century, particularly the British writer, had more in common with the samurai class of Japan than with his own countrymen who came there to trade. They were the pioneers of commerce and, as is common in many cultures, the new men striving hard to make their way into an established upper class were not looked upon with much sympathy by those born and bred into that class. There was a lack of understanding on both sides, but it was only one side which got its views on Japan into print, for the merchant seldom had the time to write books.

Aside from the occasional letter to the editor of the local English language paper, the merchant confined

(1) H.C. St. John, The Wild Coasts of Nipon, pp. 142-144.

his literary efforts to his business reports for the mail boat. It is when these are investigated that the picture of Japan given by Japanese and western authors tends to change, and the Japanese view of western aggression as well as the western writings of the defilement of a charming civilization by uncultured money grubbers must be adjusted, for western commerce did more concrete good than harm for Japan.

It was natural for the Japanese ruling class to look upon the foreigners as a military threat, but it was hardly the blame of the foreigners that they opened relations at the cannon's mouth, for they had tried peaceful means and had been fired upon for their pains. The question of whether the commerce which they forced upon Japan was of benefit to that country depends upon Japan's situation without it. If the country were a prosperous paradise of contented people, then westerners and their trade may have been both harmful and unnecessary.

(1)

This does not seem to have been the case. A local crop failure often meant starvation, while peasant revolts against high taxes and artificial scarcities created for the benefit of officials were frequent, even though torture and death were common punishments for the instigators.

(1) Sir George Sansom, Japan, A Short Cultural History,
London, 1952, p. 519.

Men such as Sir Rutherford Alcock who were allowed to travel in the interior reported much poverty after leaving the surroundings of the treaty ports.⁽¹⁾ Infanticide was another commonplace; a Royal Navy officer reported finding the straw-swaddled bodies of drowned infants frequently on the beaches of the Inland Sea.⁽²⁾ The Japanese economy was running at half speed, its expansion hindered by its political system rather than by any shortage of labour or resources.⁽³⁾ Its ability to produce goods for a large export without creating domestic shortage, as well as the rapid increase in the Japanese population of the treaty ports is some evidence of this.

That foreign trade had an impact upon the monetary system is undeniable, but that the system operated in practice as described in official regulations is doubtful, as is its capacity to provide adequately for the domestic economy. Regardless of what type of currency was used domestically, if the unused land and labour of Japan were to be utilized for foreign trade it would be necessary that the silver standard of the China Coast be adopted for

(1) R. Alcock, Capital of the Tycoon, Vol. 2, p. 138.

(2) H.C. St. John, Wild Coasts of Nipon, p. 224.

(3) N. Skene-Smith, "Tokugawa Japan", pp. 2-3.

that trade. Harris had proposed that this be done with the opening of trade in 1859, intending only to fix a set exchange upon the Japanese for the first year, after which the dollar could fluctuate seasonally within narrow limits as it did in China. This depended upon the Japanese Government's allowing a free trade. It did not do so, choosing instead to restrict both the amount of Japanese coinage provided to finance the trade and the amounts of produce allowed for export. It was thus not until after 1871, when the Osaka mint began striking the Japanese equivalent of the Mexican dollar, that the Japan trade had a stable coin to finance it, and could thus hope to increase the produce trade at the expense of speculation. The impact of cheap western silver upon the relatively dear silver coinage of Japan was thus cushioned over almost a dozen years and, although the surplus of recorded exports over imports left a sizable trade balance, the inflationary effect of these new silver supplies cannot have been too great for large sums in dollars were used for indemnities, the sending of embassies abroad, and for the very expensive ships and weapons of the west.

If foreign trade contributed to domestic inflation, it was by intensifying an existing situation rather than by causing it. It would seem that the rise in the cost

of living of the people was mainly the result of Japanese, not foreign action. The question of whether or not Japanese officials were entirely justified in the policy with which they chose to respond to the intrusion of the westerners is beyond the scope of a work based upon the archives of the foreign trader. It is enough to observe that most of the domestic troubles of Japan in the period arose more from the Government's attempts to nullify the treaties and expel the foreigners than from any action of the foreigners themselves.

If the coinage manipulation and trade restriction elements of this policy had been less effective, a middle class of Japanese businessmen dependent upon a free foreign trade and capable of influencing government decisions might have developed, but this will always be a subject for speculation. There is at least evidence that such a group was in formation at Yokohama by 1863 and that the Government sponsored corporation was neither necessary nor inevitable.

The coming of foreign shipping, particularly of steamships, was a great blessing for a nation without a good road system or long navigable rivers. In addition to lowering transport costs, it also meant the end of the periodic famines which could now be averted with imported

rice supplies. The disruptive effect of western trade upon Japanese handicraft industries is difficult to estimate but, since many of these industries were practiced in farm homes, it cannot have been too severe a change, for many of the same households could now find spare-time employment in producing tea and silk for the foreigners. There was also the advantage of being able to buy good foreign cloth cheaply. Individual Japanese craftsmen, particularly in some branches of weaving, must have suffered but, as cotton yarn quickly became the third most salable import after shirtings and camlets, the domestic weaver was not forced suddenly out of business. (1)

On balance, the foreign trade which was pioneered in 1859 seems to have been for the benefit of the Japanese more than for the westerners involved. Although profits were made in Japan, there were no great fortunes made there which would allow a British merchant to go home, into Parliament and often a title, as was being done in China. In return for Japan's surplus agricultural exports of silk and tea, the westerners provided the nation with the machinery, the technical training, and for many years the technicians to carry through its industrial revolution. Whether a less restricted trade could have allowed a higher

(1) J.E. Orchard, Japan's Economic Position, p. 50.

standard of living to the Japanese people, with a lighter burden of domestic taxation during the process of industrialization, will always be debatable as will the question of what effect the foreign businessman might have had if he had been allowed to invest in Japanese industry outside of the treaty ports.

Whether one speaks of economic or political imperialism, the expansion of western nations in the last century is criticised on the grounds either of interfering too much or too little with some traditional society. In Japan a good case can be made that, after the forceful opening of Japan to foreign trade, there was not too much but too little interference. Had the Harris Treaty been enforced from the beginning a quite different Japan might have developed. As Sir Rutherford Alcock had noted, the lack of a few warships at the beginning might be an economy which would cost dear later on.⁽¹⁾

(1) R. Alcock, Capital of the Tycoon, Vol. 1, p. 161.

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(a) Manuscript Material

The Jardine, Matheson and Company archive at the Cambridge University Library.

These are the records of Jardine, Matheson & Company's Hong Kong office for the years 1840-1900. Included are some of the papers of the Shanghai office but none of the original office files of the other offices in the East such as those at Chefoo, Swatow, Ningpo, Nagasaki or Yokohama. Letters and accounts from these offices to Hong Kong or Shanghai are included as are copies of letters to these offices. The archive is estimated to number some half million papers. Of these over one hundred thousand are letters and these alone have been catalogued. The remainder consists of varied accounts: invoices, insurance receipts, ships' logs, port clearances, memos, bills of lading, certificates, bills of exchange, promissory notes, shipping lists, delivery orders, etc. There are more than one hundred bound account books and some forty boxes of loose accounts covering more than one half a century which are neither catalogued nor arranged. Many additional boxes have been arranged by class but not by date as bullion accounts, accounts current, prices current or bills of lading, etc. For the research student the most fruitful fields offered by this archive are in such fields as insurance, banking, real estate, breweries, shipping lines, tea-firing plants, silk reeling plants, ice companies, sugar refineries, railroads and loans to the Chinese Government. There is also an extensive correspondence with Great Britain to the parent company of Matheson & Co. Ltd. in London and related exporters, shipping lines and individual investors which should provide much detailed information as to how British economic expansion in the last century actually worked.

For the present study the letters from Japan to China have been the primary source. Letters from China offices to Japan are mostly represented by press copies made with tissue paper upon gelatine and these have suffered from the ravages of time, climate and insects. Accounts of operations in Japan are incomplete, often illegible and

exceedingly difficult to assemble owing to the present nature of the archive. This study relies predominantly upon the letters from Japan to China with the assistance of correspondence between Hong Kong and Shanghai or Hong Kong and London whenever happenings in Japan effect broader commercial interests. The Japan trade was so small at its beginnings in 1859 that detailed accounts were not called for until late in 1862. These are very useful after that date, but there is an understandable gap between the information sent on to a headquarters at Shanghai or Hong Kong and the detailed local information as to business conditions which must have existed in the agency files at Yokohama. After the foundation of a Chamber of Commerce at Yokohama in the autumn of 1864 there is much less information provided in the business letters for the Chamber of Commerce printed circular was enclosed. These have unfortunately been lost.

In a limited period of time Miss Nora Bartlett has done an excellent job of cataloguing the letters of the archive and bringing some sort of order into the accounts, but the sheer volume of material involved will continue to be the most difficult problem facing the researcher. It is such that probably only the efforts of a team of scholars over a period of years could succeed in writing a history of Jardines. It would be well worth the effort for it would describe the China Coast and the clash of an expanding industrial West with the traditional societies of Asia as no other extant material could do.

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Papers of Sir Harry Parkes, Cambridge University Library.

Some five boxes of papers left by the second British ambassador to Japan. They are roughly divided into correspondence and printed material. They deal with affairs in China in the 1840's, 1850's and early 1860's and with affairs in Japan from 1865 until almost 1880. They are particularly useful for Japanese affairs in the 1870's.

Janvier Bequest, New York Public Library.

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(b) Printed Papers.

Parliamentary Papers.

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value, customs duties and ships involved. Under the heading "Japan" there are to be found commercial reports from British Consuls in Japan from the year 1865 onwards.

There are also various special reports of value to the researcher including the report on the stoppage of trade by the Japanese in Vol. LXIX, 1860. Lord Elgin's treaty of August 1858 is contained in the same volume; material relevant to the revised treaty and tariff of 1866 is in Vol. LXXIV, 1867; the question of Japanese currency is contained in Vol. L, 1866; and there is a report upon the Japanese silk industry in Vol. LXV, 1870.

It is to be noted when using the statistical tables submitted by the British Consular officials in Japan that they are inaccurate for reasons discussed in this text. However, the general comment upon trade is very useful.

(c) Newspapers and Periodicals.

The Chinese and Japanese Repository.

Edited by an ex-missionary named James Sumner, it contains many quotations from China Coast papers for which no files remain extant. Sumner was a professor at Kings College, London. The magazine was published in Britain as a successor to an earlier venture published at Canton until 1851. Very useful as one of the few sources for non-official British opinion of affairs in Japan.

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Issued sporadically at Yokohama between 1862 and the mid-70's when its editor and chief artist, Charles Wirgman, Japan correspondent of the Illustrated London News, died. Containing cartoons and comment upon local personalities, it is chiefly valuable for a study of the foreign community at Yokohama.

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APPENDIX

PROVISIONS OF THE AMERICAN COMMERCIAL TREATY
OF 29 JULY 1858Article One

There shall henceforth be perpetual peace and friendship between the United States of America and His Majesty the Ty-Coon of Japan and his successors.

The President of the United States may appoint a Diplomatic Agent to reside at the city of Yedo, and Consuls or Consular Agents to reside at any or all of the ports in Japan which are opened for American commerce by this Treaty. The Diplomatic Agent and Consul General of the United States shall have the right to travel freely in any part of the Empire of Japan from the time they enter on the discharge on their official duties.

The Government of Japan may appoint a Diplomatic Agent to reside at Washington, and Consuls or Consular Agents for any or all of the ports of the United States. The Diplomatic Agent and Consul General of Japan may travel freely in any part of the United States from the time they arrive in the country.

Article Two

The President of the United States, at the request of the Japanese Government, will act as a friendly mediator in such matters of difference as may arise between the Government of Japan and any European Power.

The ships-of-war of the United States shall render friendly aid and assistance to such Japanese vessels as they may meet on the high seas, so far as it can be done without a breach of neutrality; and all American Consuls residing at ports visited by Japanese vessels shall also give them such friendly aid as may be permitted by the laws of the respective countries in which they reside.

Article Three

In addition to the ports of Simoda and Hakodade, the following ports and towns shall be opened on the dates respectively appended to them, that is to say: Kanagawa, on the 4th of July, 1859; Nagasaki, on the 4th of July, 1859; Nee-e-gata, on the 1st of January, 1860; Higo, on the 1st of January, 1863.

If Nee-e-gata is found to be unsuitable as a harbor, another port on the west coast of Nipon shall be selected

by the two Governments in lieu thereof. Six months after the opening of Kanagawa, the port of Simoda shall be closed as a place of residence and trade for American citizens. In all the foregoing ports and towns American citizens may permanently reside; they shall have the right to lease ground, and purchase the buildings thereon, and may erect dwellings and warehouses. But no fortification or place of military strength shall be erected under pretence of building dwellings or warehouses; and, to see that this Article is observed, the Japanese authorities shall have the right to inspect, from time to time, any buildings which are being erected, altered, or repaired. The place which the Americans shall occupy for their buildings, and the harbor regulations, shall be arranged by the American Consul and the authorities of each place and, if they cannot agree, the matter shall be referred to and settled by the American Diplomatic Agent and the Japanese Government.

No wall, fence, or gate shall be erected by the Japanese around the place of residence of the Americans, or anything done which may prevent a free egress and ingress to the same.

From the 1st of January, 1862, Americans shall be allowed to reside in the city of Yedo; and from the 1st of January, 1863, in the city of Osaka, for the purposes of trade only. In each of these two cities a suitable place within which they may hire houses, and the distance they may go, shall be arranged by the American Diplomatic Agent and the Government of Japan. Americans may freely buy from Japanese and sell to them any articles that either may have for sale, without the intervention of any Japanese officers in such purchase or sale, or in making or receiving payment for the same; and all classes of Japanese may purchase, sell, keep, or use any articles sold to them by the Americans.

The Japanese Government will cause this clause to be made public in every part of the Empire as soon as the ratifications of this Treaty shall be exchanged.

Munitions of war shall only be sold to the Japanese Government and foreigners.

No rice or wheat shall be exported from Japan as cargo, but all Americans resident in Japan, and ships, for their crews and passengers, shall be furnished with sufficient supplies of the same. The Japanese Government will sell, from time to time at public auction, any surplus quantity of copper that may be produced. Americans residing in Japan shall have the right to employ Japanese as servants or in any other capacity.

Article Four

Duties shall be paid to the Government of Japan on all goods landed in the country, and on all articles of Japanese production that are exported as cargo, according to the tariff hereunto appended.

If the Japanese Custom House officers are dissatisfied with the value placed on any goods by the owner, they may place a value thereon, and offer to take the goods at that valuation. If the owner refuses to accept the offer, he shall pay duty on such valuation. If the offer be accepted by the owner, the purchase-money shall be paid to him without delay, and without any abatement or discount.

Supplies for the use of the United States Navy may be landed at Kanagawa, Hakodade, and Nagasaki, and stored in warehouses, in the custody of an officer of the American Government, without the payment of any duty. But, if any such supplies are sold in Japan, the purchaser shall pay the proper duty to the Japanese authorities.

The importation of opium is prohibited; and, any American vessel coming to Japan for the purposes of trade having more than three catties* weight of opium on board, such surplus quantity shall be seized and destroyed by the Japanese authorities. All goods imported into Japan, and which have paid the duty fixed by this Treaty, may be transported by the Japanese into any part of the empire without the payment of any tax, excise, or transit duty whatever.

No higher duties shall be paid by Americans on goods imported into Japan than are fixed by this Treaty, nor shall any higher duties be paid by Americans than are levied on the same description of goods if imported in Japanese vessels, or the vessels of any other nation.

Article Five

All foreign coin shall be current in Japan and pass for its corresponding weight of Japanese coin of the same description. Americans and Japanese may freely use foreign or Japanese coin in making payments to each other.

As some time will elapse before the Japanese will be acquainted with the value of foreign coin, the Japanese Government will, for the period of one year after the opening of each harbor, furnish the Americans with Japanese coin in exchange for theirs, equal weights being given and no discount taken for re-coinage. Coins of all description (with the exception of Japanese copper coin) may be exported from Japan, and foreign gold and silver uncoined.

*Author's Note: This is roughly four pounds weight or what might reasonably be needed for use as an anesthetic.

Article Six

Americans committing offences against Japanese shall be tried in American Consular courts and, when guilty, shall be punished according to American law. Japanese committing offences against Americans shall be tried by Japanese authorities and punished according to Japanese law. The Consular courts shall be open to Japanese creditors, to enable them to recover their just claims against American citizens; and the Japanese courts shall in like manner be open to American citizens for the recovery of their just claims against Japanese.

All claims for forfeitures or penalties for violations of this Treaty, or of the Articles regulating trade which are appended hereunto, shall be sued for in the Consular courts, and all recoveries shall be delivered to the Japanese authorities.

Neither the American nor Japanese Governments are to be held responsible for the payment of any debts contracted by their respective citizens or subjects.

Article Seven

In the opened harbors of Japan, Americans shall be free to go where they please, within the following limits:

At Kanagawa, the River Logo (which empties into the Bay of Yedo between Kawasaki and Sinagawa), and 10 ri* in any other direction.

At Hakodade, 10 ri in any direction.

At Hiogo, 10 ri in any direction, that of Kioto excepted, which city shall not be approached nearer than 10 ri. The crews of vessels resorting to Hiogo shall not cross the River Enagawa, which empties into the Bay between Hiogo and Osaca. The distance shall be measured inland from Goyoso, or town hall of each of the foregoing harbors, the ri being equal to 4,275 yards American measure.

At Nagasaki, Americans may go into any part of the Imperial domain in its vicinity. The boundaries of Nee-e-gata, or the place that may be substituted for it, shall be settled by the American Diplomatic Agent and the Government of Japan. Americans who have been convicted of felony, or twice convicted of misdemeanors, shall not go more than one Japanese ri inland from the places of their respective residences, and all persons so convicted shall lose their right of permanent residence in Japan, and the Japanese authorities may require them to leave the country.

A reasonable time shall be allowed to all such persons to settle their affairs, and the American Consular authority

*Approximately twenty-five miles.

shall, after an examination into the circumstances of each case, determine the time to be allowed, but such time shall not in any case exceed one year, to be calculated from the time the person shall be free to attend to his affairs.

Article Eight

Americans in Japan shall be allowed the free exercise of their religion, and for this purpose shall have the right to erect suitable places of worship. No injury shall be done to such buildings, nor any insult offered to the religious worship of the Americans. American citizens shall not injure any Japanese temple or mia, or offer any insult or injury to Japanese religious ceremonies, or to the objects of their worship.

The Americans and Japanese shall not do anything that may be calculated to excite religious animosity. The Government of Japan has already abolished the practice of trampling on religious emblems.

Article Nine

When requested by the American Consul, the Japanese authorities will cause the arrest of all deserters and fugitives from justice, receive in jail all persons held as prisoners by the Consul, and give to the Consul such assistance as may be required to enable him to enforce the observance of the laws by the Americans who are on land, and to maintain order among the shipping. For all such service, and for the support of prisoners kept in confinement, the Consul shall in all cases pay a just compensation.

Article Ten

The Japanese Government may purchase or construct in the United States ships-of-war, steamers, merchant ships, whale ships, cannon, munitions of war, and arms of all kinds, and any other things it may require. It shall have the right to engage in the United States scientific, naval and military men, artisans of all kinds, and mariners to enter into its service. All purchases made for the Government of Japan may be exported from the United States, and all persons engaged for its service may freely depart from the United States: provided that no articles that are contraband of war shall be exported, nor any persons engaged to act in a naval or military capacity, while Japan shall be at war with any Power in amity with the United States.

Article Eleven

The Articles for the regulation of trade, which are appended to this Treaty, shall be considered as forming a part of the same, and shall be equally binding on both the Contracting Parties to this Treaty, and on their citizens and subjects.

Article Twelve

Such of the provisions of the Treaty made by Commodore Perry, and signed at Kanagawa, on the 31st of March, 1854, as conflict with the provisions of this Treaty are hereby revoked; and, as all the provisions of a Convention executed by the Consul General of the United States and the Governors of Simoda, on the 17th of June, 1857, are incorporated in this Treaty, that Convention is also revoked.

The person charged with the diplomatic relations of the United States in Japan, in conjunction with such person or persons as may be appointed for that purpose by the Japanese Government, shall have power to make such rules and regulations as may be required to carry into full and complete effect the provisions of this Treaty, and the provisions of the Articles regulating trade appended thereunto.

Article Thirteen

After the 4th of July, 1872, upon the desire of either the American or Japanese Governments, and one year's notice given by either party, this Treaty, and such portions of the Treaty of Kanagawa as remain unrevoked by this Treaty, together with the regulations of trade hereunto annexed, or those that may be hereafter introduced, shall be subject to revision by Commissioners appointed on both sides for this purpose, who will be empowered to decide on, and insert therein, such amendments as experience shall prove to be desirable.

Article Fourteen

This Treaty shall go into effect on the 4th of July, 1859, on or before which day the ratifications of the same shall be exchanged at the City of Washington; but if, from any unforeseen cause, the ratifications cannot be exchanged by that time, the Treaty shall still go into effect at the date above mentioned.

The act of ratification on the part of the United States shall be verified by the signature of the President of the United States, countersigned by the Secretary of State, and sealed with the seal of the United States.

The act of ratification on the part of Japan shall be verified by the name and seal of His Majesty the Ty-Coon, and by the seals and signatures of such of his high officers as he may direct.

This Treaty is executed in quadruplicate, each copy being written in the English, Japanese, and Dutch languages, all the versions having the same meaning and intention, but the Dutch versions shall be considered as being the original.



OMISSIONS AND ERRATA

TEXT.

- p.46 line 10 "Still smarting" ... should read "smarting"
- p.63 line 11 Black also mentions an Omi & Co. (Omi-ya)
- p.145 line 16 should read "In his third letter from Yokohama..."
- p.178 line 18 should read " At these times money became plentiful in Japanese hands..."
- p.193 line 21 should read "began to shift to Nagasaki..."
- p.194 line 2 should read " almost entirely..."
- p.262 line 22 "... prices in the interior." should be followed by a reference to Alcock, Capital of the Tycoon, vol.1, pp.417- 18
- p.271 line 12 "...into the city." should read " to Canton."

BIBLIOGRAPHY.

- p.294 line 25 should read " the most fruitful fields...are in the Firm's China investments such as insurance, banking, etc."
- p.295. Omits Foreign Office, General Correspondence, Japan (F.O.262), some two hundred volumes most of which are correspondence between the British Consulates in Japan and Edo, as well as the Edo Legation correspondence with the Japanese Government and some correspondence with London.
- p.299. " The Treaty Ports of China and Japan" should be listed as Mayers, Denny and King.
- p.304. Borton, " Peasant Uprisings.." is also to be found in TASJ, vol.XVI, Second Series, Tokyo, May 1938. The footnote on p.296 is from that edition.
- p.308. N.Skene-Smith. The full title is "Tokugawa Japan, Materials on Japanese Social and Economic History", TASJ., Second Series, VolXIV. Tokyo, 1937, pp.1-176

